



# Annual and sustainability report 2022



# Probiotic pioneers with a passion for people

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# Probi in brief

## A leading, global company in probiotics

Probi was founded by researchers in Lund in 1991 and is today one of the largest, leading, global probiotic companies. Probi has a strong and broad product portfolio, primarily in the areas of gastric health and the immune system. Probi's products are currently sold in around 40 markets around the world.

## In-house production in GMP-certified facilities

Probi has its own capacity for fermentation, formulation and production in GMP-certified plants (Good Manufacturing Practice). Probi develops, manufactures and offers probiotics in many forms including powders, capsules, tablets or foods in close cooperation with leading health, pharmaceutical and food companies.

## Unique expertise

Through a strong focus on a scientific base, Probi has built up a unique expertise. Probi's projects are always based on identified market needs and commercial opportunities. Probi participates in a number of international research collaborations and a large number of studies have been published. Probi currently has over 400 approved patents.



## Probiotics

The WHO defines probiotics as live microorganisms which when administered in adequate amounts confer a health benefit on the host.

In order for a product to be defined as a probiotic, it is necessary for its health effects to have been shown in clinical studies. This means that subjects are studied while taking probiotics to be able to confirm their actual effect. It is extensive work that requires scientific tests and documentation before the product can be offered to consumers.

Today, probiotics are often used as dietary supplements and are added to a number of different food products, such as dairy products. Supplements of probiotics are also available in many other forms such as capsules, tablets or powders.

## A broad product portfolio

Probi has one of the market's most comprehensive portfolios of probiotic products in the following areas:



**Probi ClinBac™**  
Probi ClinBac™ is Probi's exclusive and patented health concept with clinically well-documented probiotic strains. Probi ClinBac™ contains Probi Defendum®, Probi Digestis®, Probi Ferrosorb® and Probi® Osteo.



**Probi LiveBac®**  
Probi LiveBac® offers Probi's widest range of active probiotic strains for use in dietary supplements and food products. Probi LiveBac® offers pure bacterial cultures, mixtures and finished products, available in a variety of applications.

# A leading global probiotic company

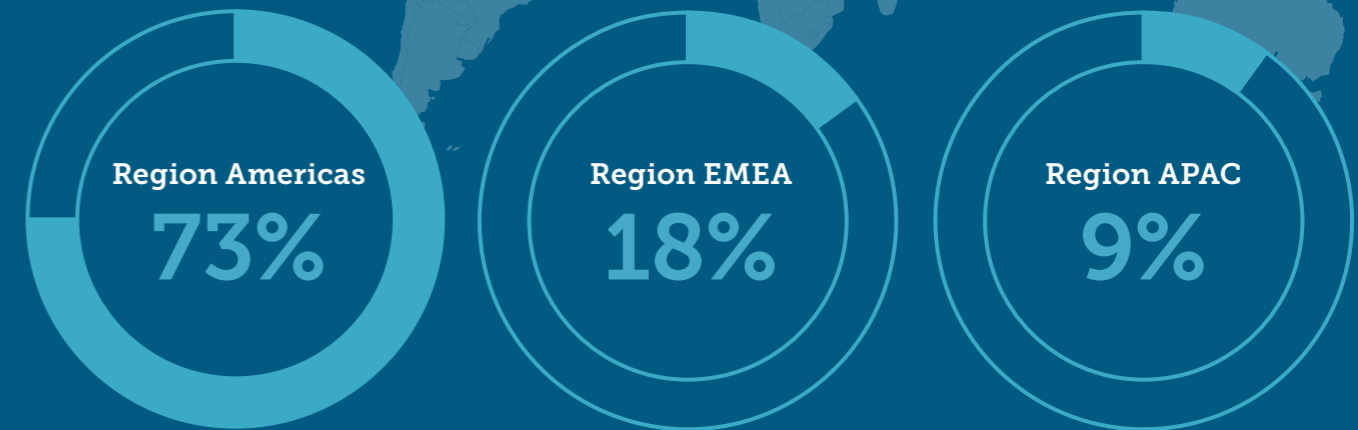


**154**  
At the end of 2022 Probi had 154 employees.

**+400**  
Probi has more than 400 patents worldwide.

**>40**  
Probi's products are available in over 40 countries and more countries are continually being added.

## Net sales 2022



## Vision

Probi will be the innovative research-driven frontrunner within probiotics. Our ambition is to improve the well-being of people worldwide. This is what drives and inspires us.

## Mission

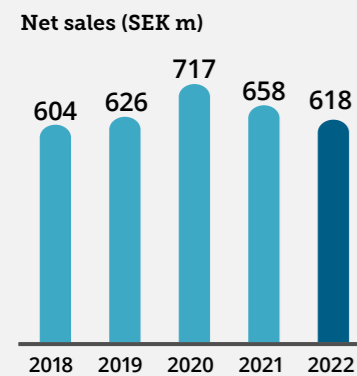
Providing probiotic products for healthier lives worldwide. Millions of people suffer from health issues that can benefit from careful addition of probiotics. Probi's mission is to provide top-quality probiotics, backed up by science, grown with care and delivered in attractive forms. In this way, we can help consumers live a healthier life worldwide.

# The year in brief

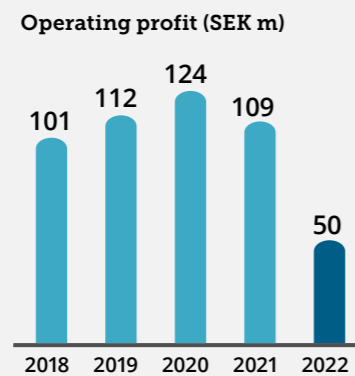
- Q1**
  - Important milestone in the technological transfer of Blis products with the first commercial production batch of BLIS K12.
  - New laboratory completed in Lund aimed at improving the pre-clinical ability and providing greater opportunities for product development.
  - New Vice President of Research & Development recruited, starting on April 1, 2022.
- Q2**
  - Increased investments in sales activities and building up the sales organization in the Americas region.
  - New skincare product based on by-product from the production process, contributing to reduced environmental costs and environmental impact. The product is based on Probi's expertise in probiotics and has been developed together with Symrise.
- Q3**
  - Extensive pilot study in mental health completed. The study included 132 participants focusing on creating new customer offers.
  - Supply chain disruptions due to temporary shortages of raw materials at manufacturing facilities in the US, which disrupted some customer deliveries.
- Q4**
  - Probi announced that from April 1, 2023 it will take over the distribution of the Probi® brand in Sweden, which is sold in pharmacies and health stores. With its own marketing organization, the goal is to strengthen the brand and increase sales in both existing and new channels.
  - Probi's board appointed Anita Johansen as interim CEO at the same time as recruitment of a new CEO began.

## The year in figures

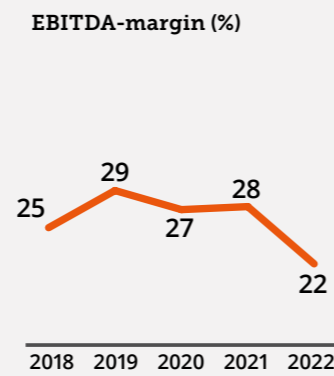
SEK m	2018	2019	2020	2021	2022
Net sales	604.1	626.2	717.2	658.2	618.3
Net sales growth, %	-1.3	3.7	14.5	-8.2	-6.1
Currency-adjusted net sales growth, %	-2.2	0.1	16.9	-3.3	-16.7
Gross margin, %	46.0	46.6	43.2	43.8	41.3
EBITDA	154.9	183.4	196.5	182.5	136.3
EBITDA, %	25.6	29.3	27.4	27.7	22.0
Operating profit (EBIT)	101.1	111.5	123.7	109.2	50.6
Operating margin, %	16.7	17.8	17.2	16.6	8.2
Profit for the year	76.3	85.9	92.7	83.1	40.6
Earnings per share, SEK	6.69	7.54	8.14	7.30	3.57
Equity ratio, %	85	89	90	88	90



**618** SEK m



**50** SEK m

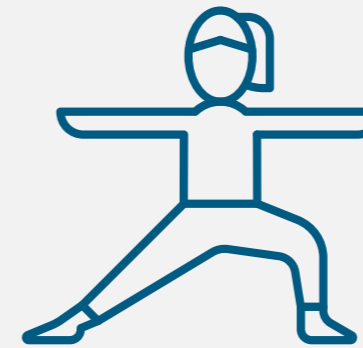


**22%**

## Why you should invest in Probi

### Probi contributes to a healthier life

With a business based on science, Probi works in accordance with its mission – to offer top-quality probiotic products that contribute to a healthier life and better health for people worldwide.



#### Increased demand for probiotics

Strong global trends continue to drive demand for probiotic products. The market for probiotic supplements is expected to grow globally by almost 25% by 2027.



#### World-class research and development

Probi has unique skills with its own experts in research and development, over 400 patents and 11 published clinical studies over the past five years. We are at the forefront of research and development in probiotics – a position we will never let go.



#### Own efficient production

Probi has an efficient, state-of-the-art manufacturing process at its own facilities, which gives control over the entire value chain. This ensures top-quality products and deliveries according to market requirements.

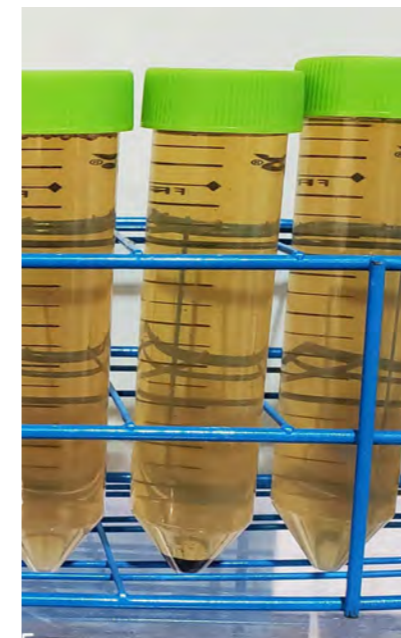


#### Strong focus on growth

Probi aims for strong growth and with one of the market's most extensive portfolios of probiotic products, has the right conditions for continuing to increase its market presence in key markets. Strategic partnerships and acquisitions will complement organic growth.

### News during the year

## Probi develops a new skincare product with partner Symrise



Probi has worked on product development in a number of areas in close collaboration with Symrise. In 2022, Symrise launched a new skincare ingredient, SymFerment®, a probiotic essence based on Probi's expertise in probiotics. The essence was developed as a joint effort between Probi and Symrise and is based on a by-product from Probi's production of probiotic food supplements.

The jointly developed product, SymFerment®, is marketed globally by Symrise with Probi being responsible for production. SymFerment® is produced from the fermentation process of Lactobacilli and is supplied to Symrise in a ready-to-sell format. In addition to new business opportunities, it means that we can reuse waste from ordinary production and thus improve both profitability and reduce our environmental footprint. Research into the skin microbiome has grown and the areas of use for probiotics in skin care have increased. Consumers are demanding more sustainable cosmetic products and with this product, we are opening up exciting opportunities to grow within skin care. The collaboration with Symrise is a good example of how we develop new products with our partners, that provide major benefits for both parties.

# A year marked by external and internal challenges

We experienced both internal and external challenges last year. We are in charge of the internal ones ourselves and my focus for the coming year is above all on increasing collaboration between the different parts of the company – the sales organization, production and R&D.

**“We must improve integration at our sites around the world and increase collaboration and communication so that we are all working towards the same goal to deliver value to our customers.”**

**Anita Johansen**  
Interim CEO



## Tough times in the Americas

Our performance in region Americas fell well short of our expectations and we saw more caution in terms of demand and saw certain customer relationships contributing to a poor outcome. During the year, we strengthened our sales team in the region, including relocating some senior account managers to the US. We believe that this will have a positive effect on sales in 2023, especially in the ClinBac™ segment.

In the EMEA region, we saw a clear impact on market sentiment, largely as a result of the war in Ukraine and the effects it brought to the economy. We also noted that one of our customers canceled its launch, which contributed to lower sales. In December, it was announced that from April 2023 we will take over the distribution of our own brand in Sweden and will establish our own distribution to strengthen the brand and increase sale in both existing and new distribution channels. This resulted in a temporary negative effect on sales at the end of the year when our distributor started to sell out its stock of products. Despite a weak year for EMEA, it is a region that is fundamentally stable and where we have a strong foothold.

The bright spot during the year was the APAC region, which developed strongly, with China as the driving force, even though the market continued to experience various pandemic restrictions during parts of the year. The product launches with

our partner Sinopharm have gone according to plan. We are optimistic about the development of the region which has the potential to continue to grow in double digits provided we do not experience another Covid-related setback.

## R&D regains momentum after the pandemic

Clinical studies are the core of our research and development. The pandemic caused difficulties in carrying out clinical studies and thus we have therefore experienced delays in both planned and ongoing studies. In December, however, we completed a study in Gut-brain, a broad and very interesting field where we see great future potential. The collaboration with BLIS Technologies has also continued and will be further extended in 2023 both in manufacturing and distribution. We also carried out an interesting product development in skin-care together with Symrise, which also brought about positive environmental effects in the production process.

For 2023, things look promising in R&D and in addition to the potential for Gut-brain, where we are preparing a “soft launch”, we have exciting development projects continuing in synbiotics, among others. During the year, we will also launch products based on spores. These can be applied in new consumer friendly experiential applications that are in high demand, especially in the US. We also have two clinical studies

in China and Australia that will contribute to increase speed after certain delays due to the pandemic.

## Production processes must work

Our upgrade project of the fermentation production facilities in Redmond started in 2020 and since then we have invested a lot of time and money. This means that we now have a completely new foundation in place. The fermentation of live bacteria is more of an art than a science, and our development continues to improve the efficiency of our production processes giving us better conditions to increase both sales and profitability.

## Increased ambition in sustainability

We have worked on a goal-directed sustainability agenda at Probi for a couple of years, and at the beginning of 2023 we had our sustainability goals certified by the Science Based Target initiative. In 2023 we will progress with these certified sustainability goals, which includes planning to reduce emissions in our operations, obtaining certifications for Occupational Health & Safety Standards and applying for green labeling according to the Nasdaq Green Equity Designation. For me, it is extremely important that sustainability is embedded throughout our business strategy and that we have a company

culture that is characterized by a long-term and sustainable mindset in everything we do.

## We have the passion and therefore we will succeed

We are leaving a challenging year behind us and will work intensively on our internal challenges to be better prepared for the external ones. My main focus will be on improving collaboration and communication within the company and a focused approach on solving our must-wins first. When I started at Probi almost exactly a year ago, I did so for a few specific reasons. In addition to being passionate to work with probiotics, I wanted to be part of a business that values the importance of research and development and that has a healthy corporate culture and good values. I am very happy that I chose Probi. It is a fantastic company with incredibly driven people who share the passion to contribute to better health in the world. I therefore feel convinced that we will succeed in returning to growth.

**Anita Johansen**  
Interim CEO

# Probi – First in Probiotics



## Business concept

Probi's business concept is to be a vertically integrated global probiotics group which in close collaboration with its customers develops, manufactures, markets and sells probiotics with scientifically documented health effects.

## Business model

Probi is a vertically integrated global probiotics group working with all parts of the value chain from research and development to sales. Our customers are leading global and regional health, pharmaceutical and food companies, that sell and distribute to the end consumer. With its own manufacturing and packaging capacity, coupled with external manufacturing collaboration, Probi can offer its customers a unique flexibility in terms of volume, quality, product format and packaging.

### 1. R&D and clinical studies

We are constantly exploring new bacterial strains and new health areas for existing bacterial strains. Through clinical studies, we then demonstrate the health effects our products can have before we move on to product development. Both our research and development of new products are often based on close dialogue with our customers as well as external and internal analysis of market needs and health trends.



### 2. Customized format

Product development is based on the customer's needs and products are adapted to the demand of health areas, product formats, volumes and packaging. Needs vary between different customers and regions, but through integrated and agile processes we can offer completely customized concepts and volumes. Bacteria are sensitive to external influences such as temperature, physical handling and humidity. The design of the product's format is therefore a critical element in the development of a new product.



### 3. Production

Probi has a fully integrated production chain, from fermentation to final packaging of the products. In the fermentation process, the various bacterial strains are developed and produced. By combining our in-house manufacturing with external third-party production, we can customize product formats and offer different mixtures of bacterial strains while maintaining a high-volume capacity.



### 4. End product

Depending on the customer's wishes, the end product is produced in different formats, such as powders, tablets or capsules. We can offer deliveries in both large bulk volumes and readymade consumer packaging.



### Consumers

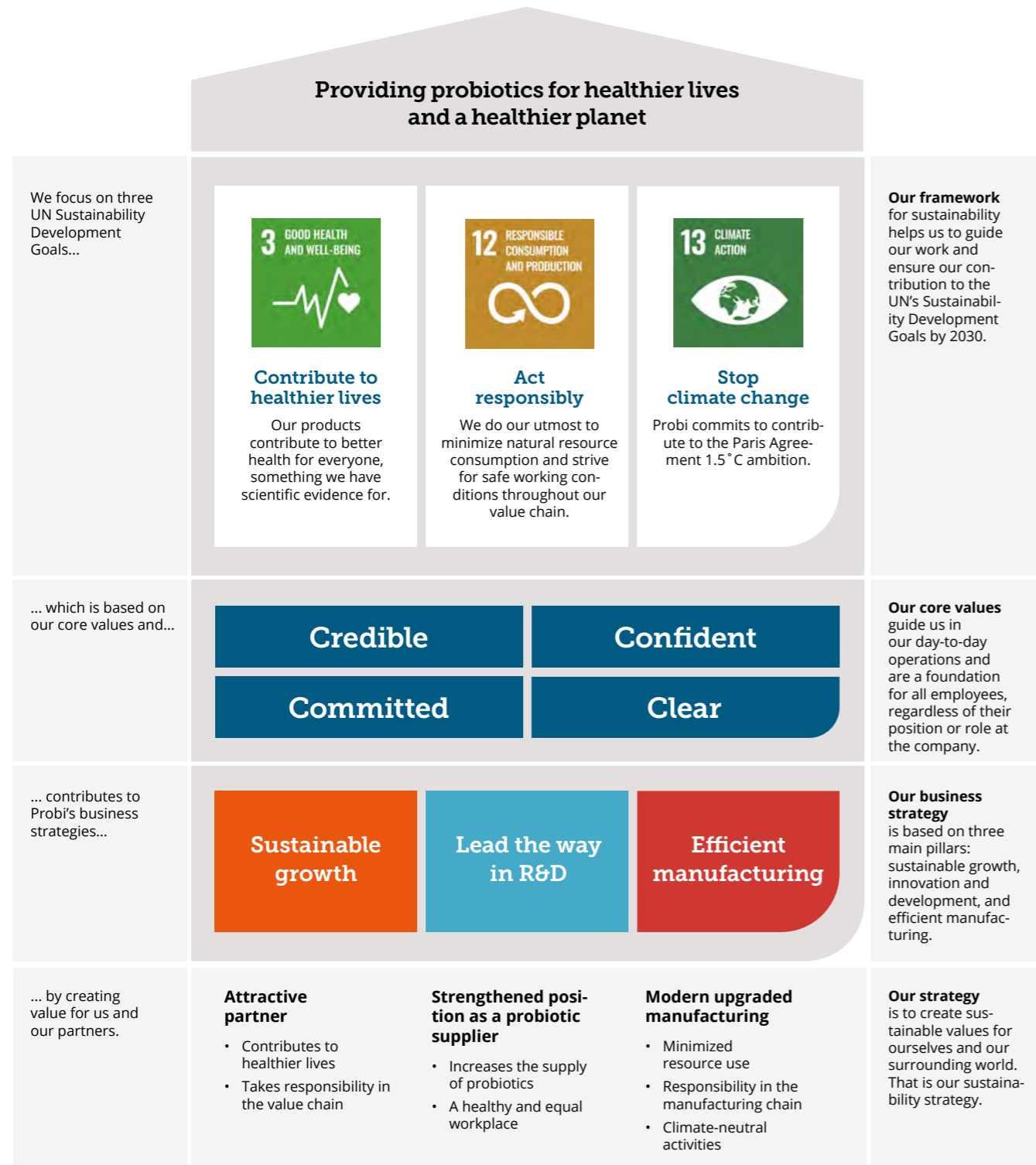
Probi does not have its own distribution or sales directly to consumers. This is managed by our customers and partners. Probi enjoys a close dialogue with both of these and thereby obtains important information about needs and behavior in the consumer market.



Customer/Partner

# Probi's strategic sustainability work

Sustainability is at the core of Probi's business. To clarify this, a new sustainability strategy and new long-term sustainability goals were adopted in 2021. The starting point for Probi's new sustainability strategy is the company's vision to improve people's well-being around the world. The strategy aims to ensure that sustainability is part of all our activities and is at the cornerstone of our strategic business development.



# Goals and goal achievement

Probi's overall goal is to grow sustainably while achieving good profitability. We will take advantage of the competitive advantages we have by being a global vertically integrated probiotic group with a strong portfolio of scientifically validated products.

## Financial targets Doubled sales with good profitability



### Profitability affected by one-off items

Target	Outcome 2022
Double the company's annual sales within five to seven years through a combination of organic growth and strategic acquisitions. The target is for annual organic sales growth to exceed 7%.	Organic growth was -6 % (-8). <b>-6%</b>
The EBITDA margin will amount to or exceed 29% on an annual basis.	The EBITDA margin was 22 % (28). <b>22%</b>

**Comments**  
**Henrik Lundkvist, CFO**  
Net sales decreased by 6% in 2022, which when adjusted for currency effects corresponds to a decrease of 17%. This performance is mainly due to the Americas region, which showed a weaker underlying demand during the year, as well as certain larger customers not developing in the direction we expected.  
The EBITDA margin, which amounted to 22%, was burdened by the one-off items arising in Q4, and excluding these, the EBITDA margin would have amounted to around 25%. These one-off items are related to delayed deliveries caused by the blizzard that hit parts of the US at the end of the year, but also personnel-related restructuring costs and business development costs.

## Sustainability goals Sustainable growth and minimized ESG risks



### Starting data collection and analysis

Target	Outcome 2022
Emission intensity (kgCO <sub>2</sub> e per SEK)	On par with the previous year (0.025). <b>0.022</b>
Supplier code of conduct (>500 KSEK)	Suppliers with signed Supplier code of conduct <b>91%</b>
Lost working time due to work accidents	Reduction compared to previous year (10 days). <b>0</b>

**Comments from Basudha Bhattarai Johansson, VP HR & Sustainability:**  
During 2022, we worked on collecting data to measure our greenhouse gas emissions, in order to reduce them and finally reach net-zero. Work continued on analyzing our supply chain and identifying possible risks and how these can be avoided. The improvement and development of existing steering documents has continued and our strategy in relation to the UN's SDGs continued throughout 2022 and will continue to be in focus going forward. Our sustainability efforts are continuously implemented in our company and our three strategic focus areas within growth, innovation and development, and manufacturing. In 2023, we will continue to compile and evaluate data to refine our business planning and target monitoring.

# Asia driving the growth of the probiotics market



Globally, retail sales of probiotic dietary supplements were worth around USD 8 bn in 2022. Between 2022 and 2027, the annual average global growth rate is expected to be around 4.6% according to the International Probiotics Association (IPA). Demand for probiotics in the form of fortified foods is expected to remain high due to increased interest and awareness of the link between health and the body's digestive system. The global pandemic has been a major driving force behind the greater interest, which has been seen among leading e-commerce platforms.

### North America

North America remains the single largest market for probiotic supplements, accounting for around 32% of the total market. According to the IPA, growth between 2022 and 2027 is expected to be limited. However, interest in probiotics remains in the consumer market and surveys conducted by the New Hope Network show that the health areas that consumers will prioritize most in the coming years are digestive health, immune health and mental health. According to the Nutrition Business Journal, mental health growth is expected to reach around 9% annually up until 2025.

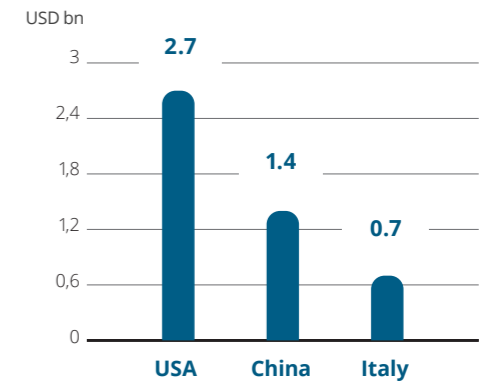
### EMEA

Europe, the Middle East and Africa (EMEA) together account for about 23% of the probiotic supplement market. Europe dominates with nearly 22% of global consumption. Annual average growth is estimated at around 4%. Italy is the world's third largest market for probiotic supplements with sales of USD 668 m and the average annual growth rate is estimated to be around 5% between 2022 and 2027. Italy is also the country with the highest consumption of probiotic supplements per capita.

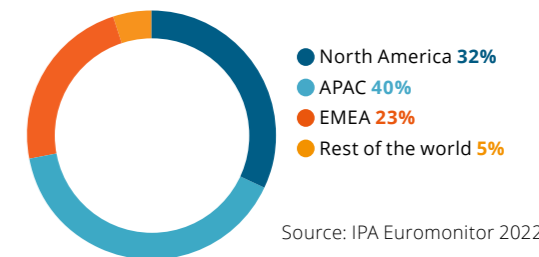
### Asia and the Pacific region

The region is growing steadily and in 2022 accounted for nearly 40% of the market for probiotic dietary supplements. China dominates and is the world's second-largest market with an expected annual average growth rate of 13% between 2022 and 2027. Countries that have also contributed to the growing market in the region are Vietnam, Thailand, the Philippines and Malaysia.

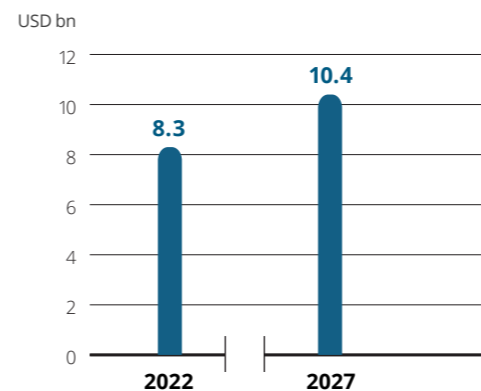
The world's three largest markets for probiotic supplements in 2022



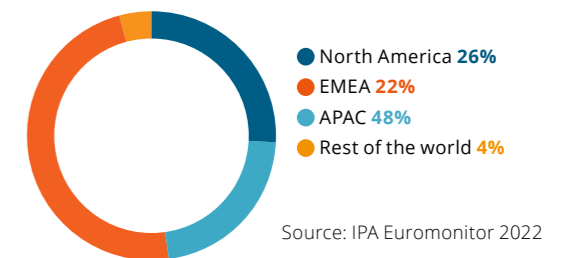
Distribution of sales of probiotic supplements in the world 2022



Total market for probiotic supplements



Distribution of sales of probiotic supplements in the world 2027\*



\*Based on IPA's forecasts for each region. Growth calculated in constant prices.



# Trends in the market for probiotics



## The population is aging – life expectancy is increasing

→ In just twenty years, global life expectancy has increased by more than six years to 73.4 years. As life expectancy increases, there is also a need for us to stay healthy for a longer time and thus reduce the risk of diseases caused by unhealthy lifestyles. In 80 years, more than a quarter of the world's population will be over 65. Research shows that inflammatory diseases can be traced to our gut flora, which ages with us, and shows an imbalance more easily the older we get. The consumption of products containing probiotics has been shown to be a good way of counteracting this imbalance and improving health. Furthermore, probiotics have shown positive effects for older women in the area of bone health.

## Probiotics in cosmetic products

→ Today there is growing concern among consumers about the consequences of chemicals and other synthetic substances used in cosmetic products. Among other things, this has driven demand for products with alternative content that are considered to be gentler on the skin. Many people therefore choose to use cosmetic products that contain probiotics. Several studies show that probiotics can have positive effects on the skin in connection with certain skin diseases such as eczema and acne. The global market for probiotic-based cosmetic products is currently valued at USD 220 m and is expected to grow in the coming years, mainly as a result of increased sales through e-commerce.\*

\*Polaris Market Research rapport "Probiotic Cosmetic Products Market Share, Size, Trends, Industry Analysis Report, By Product (Skin Care, Hair Care), By Distribution Channel (Hypermarket & Supermarket, Pharmacy & Drug Store, E-commerce, Others), By Region; Segment Forecast, 2021 – 2028".



## New areas of use for probiotics

→ More than 700 different types of microbes such as bacteria and fungi can be found in the human mouth. Oral gum disease can often be traced to an imbalance between good and bad microbes in the mouth, a problem that imposes a huge cost on society. In Europe alone, the direct and indirect costs due to gum disease amount to USD 158 bn annually, and the figure is almost the same in the US.\* Research shows, among other things, that probiotics can have a countervailing effect against these types of oral diseases at an earlier stage. Among other things, the bacterial group Lactobacillus has been put in chewing gum and orally dissolved tablets and in studies has shown positive effects where the inflammation has subsided in the gums after treatment.

\*João Botelho, Vanessa Machado, Yago Leira, Luís Proença, Leandro Chambrone, José João Mendes. Economic burden of periodontitis in the United States and Europe: An updated estimation. Journal of Periodontology. 2022; 93: 373–379.

## Antibiotic resistance a growing threat

→ The effective treatment of common infectious diseases is threatened today by continued antibiotic resistance, according to the World Health Organization, WHO. One way to reduce this risk is, of course, to reduce the use of antibiotics for viral infections such as colds and flu, where the preparations are not effective. Another way is to work preventively. Studies have shown, among other things, that preventive treatment with probiotics strengthens the immune system and can reduce the need for antibiotics in children. The older and larger the world's population becomes, the greater is the need for effective treatment of infectious diseases and thus the need to avoid antibiotic resistance.

## Functional drinks a common option

→ Today, ever more consumers are demanding healthy products that can easily fit into everyday routines. Functional beverages have become a common option to fill this gap, with yogurt and probiotic-based beverages being a growing segment. The increased demand for functional drinks is due, among other things, to an increased awareness of products that can strengthen the immune system and benefit stomach health. According to a report by Grand View Research, the global market for yogurt and probiotic-based beverages is valued at approximately USD 80 bn, with the latter accounting for as much as 54% of the segment.\* The global probiotic-based beverages segment is also expected to grow at an annual rate of 9.7% as a result of more consumers including these in their daily diet.



\*Grand View Research rapport "Yogurt And Probiotic Drink Market Size, Share & Trends Analysis Report By Product (Yogurt, Probiotic Drinks), By Distribution Channel (Online, Offline), By Region (North America, APAC), And Segment Forecasts, 2022–2030".

## Market players

**The players on the global probiotics market often have a global presence through well-established collaborations and partnerships.**

There are many different forms of delivery and distribution collaborations between the various players. In recent years, there has also been a certain consolidation in the industry. Pharmaceutical and ingredient companies have acquired probiotic companies, which indicates an increase in interest from nearby industries. Many key players in the market are also increasing focus on reaching the Southeast Asian markets and the

large target group of consumers in the region. The market consists of players in research and development, manufacturing companies, and also sales companies and companies that run a brand. A number of players are also integrated and active in the entire value chain within B2B. Probi is one of the leading players globally, but unlike some of the other leading players, focuses exclusively on probiotics. Chr.Hansen, IFF/DuPont and Lallemand are examples of leading global players. Most other players are geographically focused on a specific regional market.

# Growth for Probi means improved health for more people in the world



## GOAL: SUSTAINABLE GROWTH

Our goal is to contribute to improved health in people around the world. We do this by extending our portfolio with more products and health areas in more markets. Probi's growth target is to grow organically by more than 7% per year. Our largest market is the Americas, while APAC is the most rapidly expanding market. Growth is generated both through new customers and more extensive collaboration with existing ones.

This organic growth must be complemented by long-term strategic partnerships in relevant areas. The partnership with Blis Technologies is a good example where, through the collaboration, Probi has expanded its portfolio in the rapidly growing area of oral health. Other health areas with great growth potential include vaginal health and gut-brain (see page 23). New formats and applications, for example gummies or chewable tablets, are areas where there is great potential, especially in the American market. Probi has one of the market's most comprehensive portfolios of probiotic products. Probi ClinBac™ is Probi's exclusive and patented health concept with clinically well-documented probiotic strains. Probi LiveBac® are probiotic strains for broad applications and application in dietary supplements and food products. One of Probi's goals has been to increase sales of ClinBac™ in the US market and in 2022 the segment has increased to 62% of sales in the region, compared to 55% in previous year.

### Sustainability



**Good health and well-being**  
Millions of people suffer from health problems that can be improved with probiotics. Probi's growth strategy enables more people to have access to probiotics and thus improve their health.

### How we will achieve our goals

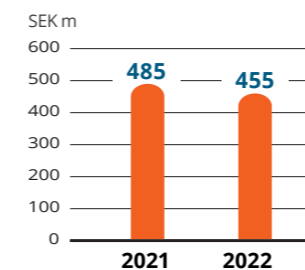
- > Improved position in scientifically validated products for gastric and immune health
- > Stronger presence in growth markets
- > Increased number of key global customers
- > More strategic partnerships and acquisitions in relevant geographies and segments

### What we achieved in 2022

- ✓ The number of key customers (net sales >USD 1 m) amounted to 11 during 2022. ClinBac™-sales excluding the targets customer grew by 20% in Americas.
- ✓ The partnership with Sinopharm has grown and in 2022 Sinopharm launched or is preparing to launch four of Probi's product concepts, three of which are within ClinBac™.
- ✓ The partnership with Blis Technologies developed in 2022 with a new product concept. In addition to existing customers, it has led to a completely new customer relationship.
- ✓ From April 2023, Probi will take over the distribution of its own brand Probi® on the Swedish market as the agreement with the distributor expired in 2022.

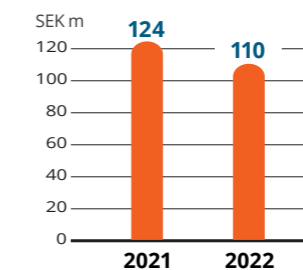
### Sales per region

#### Americas



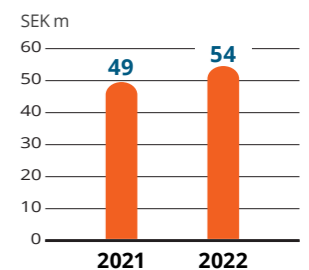
**-6%**  
Growth 2022

#### EMEA



**-12%**  
Growth 2022

#### APAC



**10%**  
Growth 2022

# Our customers are all over the world

Probi has one of the market’s most comprehensive portfolios of probiotic products in several health areas. Our customers are all over the world and we are, through our customers and partners, represented in over 40 markets.

Customers are our channel to end consumers and we therefore attach great importance to having a close relationship in order to understand not only both our customers’ challenges and needs, but also those of the end consumer. We help our customers and partners become successful themselves and ensure that they receive training in our products, assist with product launches and can also offer active support in connection with regulatory issues, such as registration processes. We have local teams in the US, Sweden, France, Singapore and China. Our goal is to increase our proportion of global key customers\* with a presence in multiple markets. We do this both by expanding the business with existing customers but also by

growing with the customers in more geographies and by actively working to start new collaborations. Customers vary from global health companies with broad product portfolios to national brand companies in health food and also some in pharmaceuticals. The wide range of sales channels of our customers, ranging from grocery chains and e-commerce to doctors and healthcare, creates robustness in our business model.

Below is a selection of some of our customers in each region.



\*We define a key customer as a customer where our sales value exceeds USD 1 m on a global level.

## Americas

<b>Customer</b>	<b>Nextfoods, Inc.</b>	<b>Blueroot Health™</b>
<b>Country</b>	USA	USA
<b>Brand where Probi's strains are included</b>	GoodBelly 	Hyperbiotics 
<b>Partner since</b>	2007	2014
<b>Company profile</b>	Company with brand that offers functional food and beverage products, sold in traditional food chains and via e-commerce.	Brand player in e-commerce, which also targets doctors and other health professions.
<b>Health area/ positioning of product</b>	Gastrointestinal health, immune health and iron absorption	Gastrointestinal health, immune health, children's health, oral health



## EMEA

<b>Customer</b>	<b>Sanprobi</b>	<b>Proton system</b>
<b>Country</b>	Poland	Balkans
<b>Brand where Probi's strains are included</b>	Sanprobi IBS krople 	Flobian 
<b>Partner since</b>	2008	2008
<b>Company profile</b>	Company with brands and communications specifically aimed at physicians and the health profession	Company with brands and communications specifically aimed at physicians and the health profession
<b>Health area/ positioning of product</b>	Gastrointestinal health	Gastrointestinal health



## APAC

<b>Customer</b>	<b>Health and Happiness (H&amp;H) Group</b>	<b>Sinopharm (China National Pharmaceutical Trading Co.,Ltd)</b>
<b>Country</b>	China, Australia, Singapore, Thailand, India, USA.	China, Hong Kong, Macau, Taiwan
<b>Brand where Probi's strains are included</b>	Swisse 	CareBree (Probi Ferrosorb®), GetRock (Probi® Osteo), Feelgoo (Probi Defendum®), BioMagic (Probi LiveBac®) 
<b>Partner since</b>	2020	2021
<b>Company profile</b>	Global health company with products in dietary supplements	Global health company with products in dietary supplements
<b>Health area/ positioning of product</b>	Gastrointestinal health, iron absorption, immune health	Iron absorption, gastrointestinal health, bone health and immune health

# Our research in new health areas contributes to a healthier life

**GOAL:**  
**LEADING ROLE IN INNOVATION AND DEVELOPMENT**

Probi's scientific roots date back to the mid-1980s with the first patent of the LP299V®. Since then, Probi's clinical research has resulted in over 400 approved patents in four clinically well-documented main areas; digestive health, immune system, bone health and iron absorption.

Research and development is a time-consuming process and there are therefore great advantages in collaborating with external partners. Thanks to the solid knowledge and scientific grounding found at Probi, we often receive offers of collaboration that lead to research projects with both industry partners and independent university groups. Probi continuously evaluates new functional areas within probiotics, and in addition to the main areas, research is also conducted in, for example, women's health, cardiovascular diseases, skincare and mental health. A new area is oral health, where Probi has a research collaboration in the part-owned New Zealand company Blis Technologies. Probi places great ethical demands on its research and naturally follows local and international regulations.



**Good health and well-being**

Many health conditions can be improved with the right form of probiotics. By offering our scientifically documented products, Probi contributes to better health and well-being in the world.

**How we will achieve our goals**

- > **Extended range with more clinically documented offers**
- > **Increased number of international research collaborations**
- > **Evaluation of growth opportunities in areas related to probiotics**

**What we achieved in 2022**

- ✓ Probi published two scientific studies in 2022.
- ✓ A study in bone health showed that Probi® Osteo is also effective for aging men and counteracts bone loss due to increasing age.
- ✓ A Pilot study in mental health was conducted with around 130 participants and positive preliminary results.
- ✓ Research collaboration through Blis Technologies started in oral health.
- ✓ Eleven new patents were approved in 2022.

**417**

Approved patents covering Probi's most important markets in the world

**Number of published studies in the last five years:**

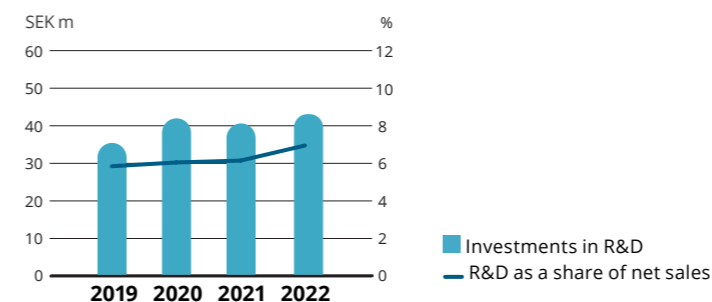
- 2 in gastric health
- 2 in iron absorption
- 3 in immune systems
- 1 in bone health
- 2 other

**Approved strain and product registrations are important for business opportunities in new markets.**

In 2022, we made six new registrations, two of which were for strains and four product registrations.

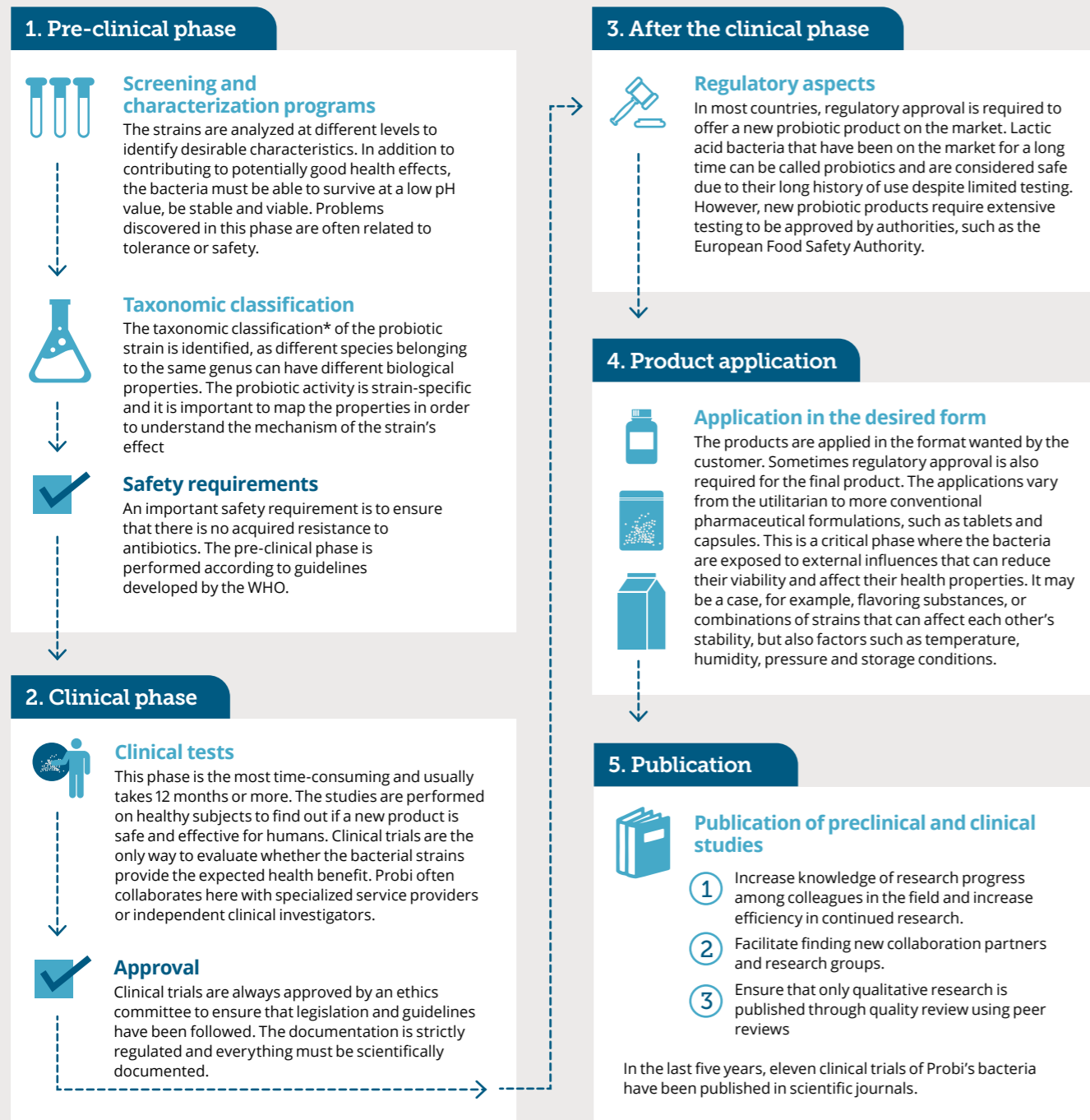
- ✓ LP299V® was approved in Brazil for use in dietary supplements.
- ✓ HEAL19 was approved in Thailand for use in food.
- ✓ Probi Ferrosorb® capsules were approved in Singapore and the Philippines.
- ✓ LP299V® capsules were approved in Vietnam.

**Investments in R&D**



# The research process at Probi

Focusing on scientific grounding, Probi has built up unique expertise in probiotics and continuously evaluates new functional areas. The drive to clinically validate and anchor the results is the basis for Probi's leading role in probiotic research and development. We always start from an identified market need and often collaborate with one of our academic or industrial partners. Developing a new probiotic product is a time-consuming process and can take anywhere from two to five years, sometimes longer.



\* Taxonomic classification or taxonomy is the science that divides, describes, classifies and names living organisms (in Probi's case bacteria) based on appearance, properties and genetics.

# Mental health – a health area with great potential

**Mental health is an area that has been the subject of increasing interest around the world and the number of chronically stressed people has increased dramatically. The pandemic has also greatly increased the number of people affected by mental health problems. The WHO identifies mental health as an important area where continued investment in research is needed.\***

Mental health spans multiple areas such as stress, sleep and cognitive abilities. Probi has conducted research into the connection between the gastrointestinal microbiota and mental health ("gut-brain") for a number of years.

**The biological health effects were proved in the first study in 2020.**

In the study, published in 2020, Probi investigated the biological effects of the bacterial strain HEAL9® on acute stress. The study showed that HEAL9® was able to reduce the release of

certain inflammation-driving biomarkers in connection with stress tests, thus providing evidence for the biological effects.

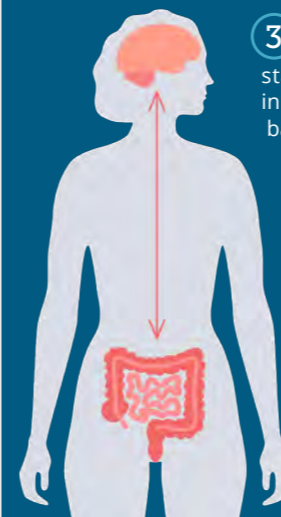
**A new study in 2022 to show perceived health effects**  
Mental health is very much about perceived improvement, rather than simply biological. Therefore, in 2022 we conducted a follow-up study to investigate the perceived health effects. The study, which was exploratory in nature, focused on various mentally related symptoms. Over 130 participants took part in the placebo-controlled study where we investigated the perceived health effects of HEAL9®. The preliminary results have been positive and the full study will be published in 2023. Mental health is a large field with many possible applications and therefore has great potential. For Probi, the results of the study will be important for developing new products in mental health.

\*[https://www.who.int/health-topics/mental-health#tab=tab\\_1](https://www.who.int/health-topics/mental-health#tab=tab_1)

## What is gut-brain?

The gut-brain axis is the connection that exists between the gut and the brain. Communication takes place through different channels.

- The vagus nerve and the nervous system.** The gut and the brain are connected by nerves. The vagus nerve is the most important and sends signals in both directions, affecting the functioning of both the brain and the intestinal system.
- Fatty acids.** Chemicals are created in the intestines as waste products when intestinal bacteria burn fiber. One important group of chemicals is short-chain fatty acids, which are very useful and contribute, among other things, to stimulating the vagus nerve.
- Signal substances.** The brain and gut are connected via signal substances. These substances are produced in the brain but also largely in the intestines. Among other things, intestinal bacteria produce serotonin, which regulates sleep, wakefulness and appetite, but also GABA, which is important for memory.
- The HPA axis.** This is a system of hormones which, among other things, originates in the brain and adrenal glands and which produces cortisol and adrenaline which are activated in times of stress. Stress hormones contribute to the weakening of the intestinal wall and fueling inflammation in the body.



# Internal manufacturing creates flexibility and business opportunities



**GOAL:**  
**MANUFACTURING EXCELLENCE**

Probi is one of the few fully integrated players on the market with its own advanced production of probiotics. Both manufacturing facilities are located in the US. In Redmond, Washington, the probiotic fermentation and freeze-drying of probiotic cultures is performed. The freeze-dried powder is then refined at the facility in Lafayette, Colorado into consumer-ready end products. Probi today offers a large range of probiotic products through its internal manufacturing or in collaboration with strategic partners. All manufacturing takes place in accordance with good manufacturing practice\* and Probi is continuously reviewed by customers, partners, authorities and independent third-party auditors.

\*GMP: Good Manufacturing Practice. Regulations governing the manufacture, including packaging, of pharmaceuticals, foodstuffs and health foods.



**Sustainable consumption and production/ Combating climate change.**  
Probi must act responsibly throughout the value chain, minimize resource use and reduce greenhouse gas emissions. By investing in streamlining the manufacturing process, we will reduce our climate footprint and resource consumption.

**How we will achieve our goals**

- > **Facilities with guaranteed top-quality production capacity adapted to market needs**
- > **New production opportunities in growth regions**
- > **Focus on improved long term gross margins**

**What we achieved in 2022**

- ✓ Continued investment in the manufacturing facility at Redmond has led to a greater ability to adapt. The smooth technological transfer for manufacturing Blis' products is a result of that.
- ✓ Internal manufacturing has created business opportunities and reduced our ecological footprint. The creation of the skin care product SymFerment® is an example of this.
- ✓ Collaboration started with Washington State University with the goal of reducing the energy consumption at our production facility in Redmond.

**REDMOND, WASHINGTON**  
Probiotic fermentation and freeze-drying of probiotic cultures.

**LAFAYETTE, COLORADO**  
Processing of bulk powder, mixing and production of consumer-ready end products.



# Internal manufacturing gives us flexibility and control

Over the years, we have made significant investments in upgrades to the production facility at Redmond, Washington. This has given us the best conditions for producing the next generation of probiotics. We have a high ambition and set high goals with our sustainability work.

## Internal manufacturing provides flexibility and new business opportunities

By having its own production capacity, Probi has control over its most important raw material. It also means that Probi has internal expertise and can continue to develop its innovative manufacturing, which creates efficient business processes and strengthens competitiveness in the long term.

Probi can offer a wide range of products and make quick adjustments to changes in the market by having full control over the fermentation process. The integration of the production of Blis' bacterial strains is a good example of how in-house production creates flexibility and speed.

Internal manufacturing can also create new business opportunities. During the year, we developed a new skincare product,

SymFerment®, with our partner Symrise. The basic ingredient of the product is based on a by-product from our production of probiotic strains. By making use of the by-product, we were able to simultaneously reduce our ecological footprint with reduced water consumption, which is an important part of our sustainability work.

**“With our own production, we create flexibility and business opportunities, of which, not least, the development of the skincare product SymFerment® is a good example.”**

**Nicole Nies**  
Director of Operations, Probi



## How we manufacture our probiotics

A complex process with many critical phases.

To produce live, viable probiotics of the highest standard and quality, work is conducted at Probi's manufacturing facility in accordance with GMP. The process is inspected by third-party inspectors and verified during quality inspections throughout the production chain. Through this control system, we ensure quality, efficiency and safety for both probiotic cultures and products, as well as compliance with regulations for manufacturing food ingredients and dietary supplements.

The process starts at our manufacturing facility in Redmond, where we currently have our master strain bank. The strains are genetically verified and tested for safety, stability and that they have the correct properties for production. The strains are stored in large freezers at a temperature of minus -60° C (-76°F).

### 1. Selection and refinement of probiotic strains



#### Selection and processing

Here we select the relevant probiotic strains from our library in a sterile environment.



#### Refining to starter culture

The strains are placed in a glass bottle where they are refined and pre-fermented into a starter culture.



### 2. Production of bacteria



#### Fermentation

The probiotic strain is introduced to a growth component and starts to multiply in a sterile fermentation tank. This is a controlled process to grow probiotic strains into large volumes. By conducting our own manufacturing, we can optimize the process to ensure high stability and purity.



#### Centrifugation

We remove the components added to ensure good growth, and water to concentrate the probiotic strains. About 75% of water is removed at this stage and the concentration of live bacteria then increases sharply.

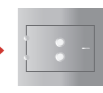


#### Quality control



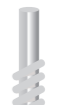
#### Pelletizing

The probiotic bacteria are formed into pellets and flash-frozen in liquid nitrogen for them to survive the next stage in the process.



#### Freeze-drying

The probiotic strains are exposed to very low temperatures and the remaining water is carefully removed under low pressure where the viable cells are maintained at the same time.



#### Milling

The last stage in bacterial production is when the freeze-dried probiotic strains, which now have a solid shape, are ground down into a fine and homogeneous powder where each grain contains billions of bacteria.



#### Quality control

Before any probiotic powder is processed further, it goes through our extremely comprehensive quality control.

### 3. Mixing and packaging products



We further process the probiotic powder at our facility at Lafayette, Colorado. Depending on what our customers want, we process the concentrated powder into mixtures in capsules, tablets or powders.



Capsules



Tablets



Powder



#### Packaging

Capsules and tablets are packed in labeled bottles or bulk bags, while powder is packed in "sticks", bags or sachets depending on our customers' requirements. We carefully choose packaging materials with our customers to ensure the bacteria's continued survival and durability.



#### Quality control

Before delivery to the customer, additional quality controls are carried out where our products are tested for safety and bacterial quantity. Reference samples are retained for subsequent quality testing.



#### Delivery to the customer

We then further distribute QA-verified products for delivery to the customer.

# Sustainability at Probi

## The Probi sustainability report

This sustainability report refers to the financial year 2022 and concerns the parent company Probi AB (corporate ID number 556417-7540) and all units consolidated in Probi's consolidated accounts for the same period. The sustainability report has been prepared in accordance with the provisions of the Swedish Annual Accounts Act, chapters 6-8. The report consists of pages 28-41 and the account of Probi's business model and its links to sustainability on pages 9-10.

A natural progression of Probi's focus on health and well-being is to work toward sustainable business operations. Therefore, further steps have been taken in 2022 to move towards a sustainable future and meet the needs and aspirations of our stakeholders. This has resulted in a new sustainability strategy linked to the UN's 17 Sustainable Development Goals, with Probi focusing on three main goals.

## Our primary aim is to make people healthier

At Probi, we are convinced that companies must operate responsibly towards society as a whole in order to maintain their position as companies. As it would be impossible to do business in a world rife with corruption, collapsed ecosystems and social injustice, all companies, both large and small, must work to protect social and environmental community values.

Probi's researchers and research groups around the world have published more than 60 human clinical trials on the LP299V® strain alone, primarily in the fields of gastric health and iron absorption. Studies document a positive correlation between probiotics and health benefits for gastrointestinal health, as well as for the immune system. Probi is thereby contributing to global health by offering quality probiotic products.

In order for Probi to contribute to the health of people around the world through our probiotics, the company must also pay attention to what affects people and communities, such as the environment, social justice and the way business is conducted. We also need to promote Probi's efforts to attract the talent of the future so that the company can continue to be at the forefront of probiotics research and a leading partner to international players within probiotics.

Probi's work in making people healthier and contributing to a healthy planet, along with fighting social injustice and corruption, is thus a prerequisite for our activities. At the same time, our manufacturing, research and development,

partnerships with our customers and the profits we generate from our operations are central to our ability to continue to contribute to a sustainable society. Profitability is an important prerequisite for survival, which means, among other things, that Probi will be able to grow, employ more people and make a profit in the long term. To meet the needs and demands of our stakeholders, create a strong brand and gain competitive advantages now and in the future, Probi's business must be sustainable. Sustainability therefore goes hand in hand with profitability for Probi.

**“Our role in society is to make people healthier. Introducing sustainability into all parts of the company means that we see sustainability as a long-term strategy. Through optimal working conditions, excellent manufacturing and good management, we strive for responsible, qualitative growth, while making the planet better.”**

**Anita Johansen**  
Interim CEO and VP R&D

### Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Probi AB (publ) Corp. id 556417-7540

#### Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2022 on pages 28-41 and that it has been prepared in accordance with the Annual Accounts Act.

#### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and

substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

#### Opinions

A statutory sustainability statement has been prepared.

Lund 3 April 2023  
Ernst & Young AB

Peter Gunnarsson  
Authorized Public Accountant

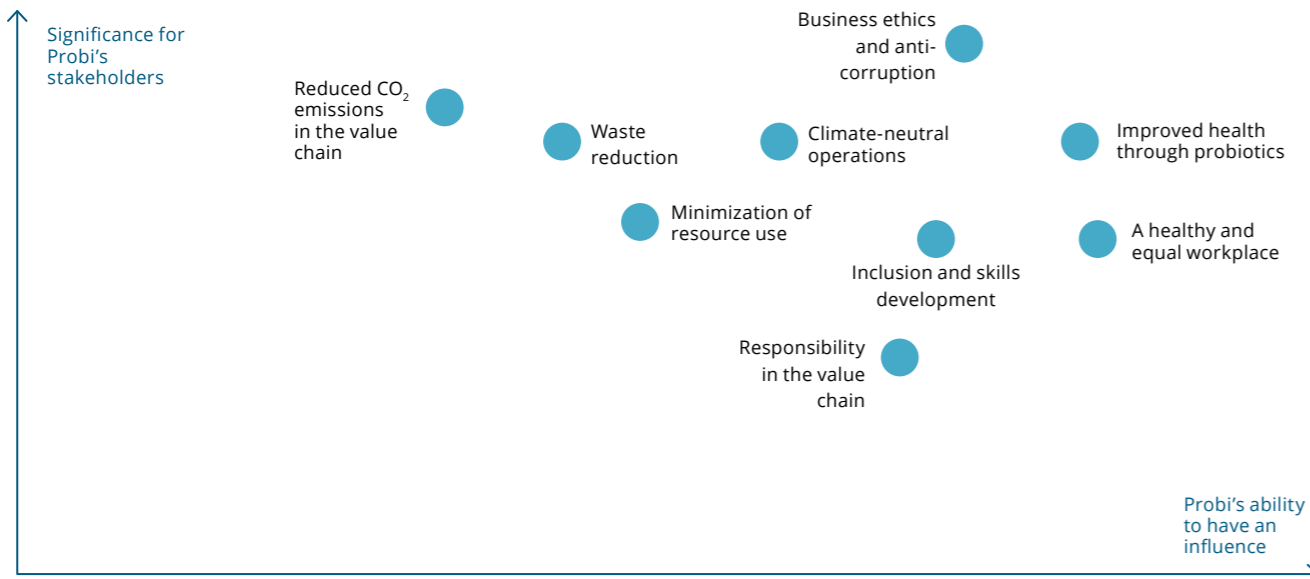


## Our strategy is based on our stakeholders and UN goals

In 2021, Probi intensified its work on sustainability and adopted a strategy with objectives that also clearly contribute to the UN's global goals for 2030. The strategy and governance of our sustainability work is based on the key issues ("material sustainability issues") that stakeholders have identified and that Probi is able to influence. The key sustainability issues have been divided into three key areas of communication: Contributing to healthier lives, Stopping climate change and Acting responsibly. Probi conducts ongoing dialog with its stakeholders and has identified a number of issues that are important to stakeholders and where Probi is able to have an influence. The materiality analysis below is the result of Probi's assessment of these issues.



### Materiality analysis results



Probi's stakeholders	IMPORTANT ISSUES	ANALYSIS
<b>Consumers</b>	Influence social and environmental issues in the right way. Companies must conduct business ethically. Consumers are interested in environmentally friendly packaging and its recycling.	Dialogue is conducted with the help of our customers. We strive to minimize emissions and waste from our operations through innovation and continuous investment in our production facilities and products.
<b>Customers/ Partners</b>	Want to buy services and materials from suppliers with the same values and ambitions. Want suppliers to have sustainability goals and strive towards a minimal carbon footprint. Suppliers must be transparent about the employment conditions of all employees in the organization and demonstrate processes that contribute to ethical business practices	The Quality Assurance team performs audits of Probi's contract suppliers, making sure that the suppliers meet Probi's standards. In 2021, a Supplier Code of Conduct was also implemented. One of our sustainability goals is to ensure that all our suppliers have signed the Probi Code of Conduct by 2025.
<b>Employees</b>	Physically and psychologically safe workplace with good working conditions. The employer must take a stand on environmental and social issues and have an implemented sustainability strategy. The employer must provide opportunities to develop skills.	Probi continuously reviews and evaluates working conditions and safety. We constantly work for the improvement of health of the employees and encourage initiatives to promote health, safety and well-being.
<b>Investors</b>	Profitability, strong brand, products that meet needs both locally and globally both in the long and short term. Information on risk management and compliance with laws and regulations. Considers ESG (Environmental, Social & Governance) and how sustainability is integrated into operations.	Probi monitors trends, consumer behavior and demand for product content. We aim for a good ESG rating and a low-risk profile in all aspects of sustainability.
<b>Society/ Government</b>	Increase the number of jobs and attract local investment. The type and amount of waste generated by the company and how it manages the waste. The value the company adds to society, along with generated tax revenues.	Probi always strives to comply with laws and regulations in the countries where the company operates and where its products are sold (regulatory issues). Through our growth, we have created more jobs in the regions in which we operate.

## Our vision is to improve the health and well-being of people around the world

The starting point of Probi's new sustainability strategy is the company's vision to improve the health and well-being of people throughout the world. In Probi's day-to-day work – from probiotics research to manufacturing and new collaborations – a significant part of the sustainability work already takes place. The aim of the strategy is to ensure that sustainability efforts take place in all parts of the business and as strategically as Probi's business development in other spheres. Our work on sustainability helps us to achieve Probi's strategic goals and is supported by our "Four Cs" values.

The work on sustainability in three key areas, in which Probi has set ambitions, targets and an action plan. This sustainability framework helps guide Probi's work and ensure its contribution to the UN's Sustainable Development Goals for 2030. The work is monitored on an ongoing basis and progress and results are reported annually. As the strategy is implemented, Probi's work on sustainability will become a natural part of the company's normal business planning and strategy. Gradually, over the coming years, our ambitions will be complemented with concrete targets for the best management and results.

**Providing probiotics for healthier lives and healthier planet**

**Contributing to healthier lives**

Our products contribute to better health for everyone, something that is scientifically proven.

**Acting responsibly**

We do our utmost to minimize the use of natural resources and strive for safe working conditions throughout our value chain.

**Stopping climate change**

Probi is committed to contributing to the 1.5°C aim of the Paris Agreement.

Credible

Confident

Committed

Clear

Sustainable growth

Leading role in R&D

Manufacturing excellence

### Our values

Probi's processes are structured around our "Four Cs" values. The HR department conducts quarterly employee surveys to gauge our employees' valuable opinions about the business.

**"Pleasant atmosphere and wonderful colleagues. Probiotics is a rewarding field of work."**

Quote from the latest anonymous employee survey.

#### Credible

We pride ourselves on our research, manufacturing capacity, internal cooperation and our approach to building lasting customer relationships. We provide the market with effective, quality-assured products. When customers and consumers use a Probi product, they should feel confident that it delivers what it promises. We always keep up to date within our fields and are trusted by customers, partners and employees. We place great emphasis on ensuring that our operations use safe processes and risk management tools.

#### Committed

Our customers and business partners can be sure of our full attention and support throughout the value chain. We will be dedicated to contributing to sustainable growth, make manufacturing of our products more efficient and reducing our carbon footprint.

#### Confident

We pride ourselves on the quality we provide in our products and our ability to deliver what we promise every time. Our rich tradition of research, commercial success and innovative concepts and products sets the stage for Probi's future success. We are constantly looking for new opportunities, accepting challenges and embracing change in order to be "First in Probiotics" and a leader in R&D.

#### Clear

We encourage honesty throughout our business, both internally and externally. Probi attaches great importance to business ethics and legal compliance. We present ideas, ask questions, encourage different perspectives and when a decision is made, we follow through with it.

# Contributing to healthier lives



KEY SUSTAINABILITY ISSUES	
IMPROVED HEALTH THROUGH PROBIOTICS	
<b>Long-term ambitions</b>	<ul style="list-style-type: none"> <li>By 2030, to increase the impact on well-being for everyone through the availability of scientifically-proven probiotic products.</li> <li>In partnership, to increase our effect on communities in need, through education, development, lending scientific expertise for research and development to promote health and well-being.</li> </ul>
<b>Risks and opportunities</b>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Consumers that are not provided with facts (proven products) but are inundated by products with no effect by competitors.</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Millions of people suffer from health problems that can be improved with probiotics.</li> <li>Structured research and development contributes to science and documentation to demonstrate the health benefits of products to consumers.</li> <li>Partnerships with leading players in the health industry will spread awareness of Probi's high-quality probiotics.</li> </ul>
<b>How we manage our work at Probi</b>	<ul style="list-style-type: none"> <li>Probi's vision.</li> <li>Probi's goals.</li> <li>Probi's strategies.</li> </ul>
<b>Initiative 2022, risk management</b>	<ul style="list-style-type: none"> <li>R&amp;D investment/turnover (see page 21).</li> <li>R&amp;D in a number of new areas (see page 21).</li> <li>Management of, for example, changes in consumer trends, competition, operations subject to permits.</li> <li>supply of goods and product liability (see pages 48-49).</li> <li>A number of new customers (see page 17).</li> </ul>
<b>Results in 2022</b>	<p><b>38%</b> increased sales of ClinBac™ products in the Chinese market compared to 2021.</p> <p><b>&gt;40</b> countries where Probi's products are sold.</p> <p><b>0</b> recall of products in 2022.</p>
<b>Stakeholder value creation and Probi's contribution to the UN Global Goals</b>	<ul style="list-style-type: none"> <li>Improved health (consumers, society).</li> <li>Increased access to probiotics, supported by science (consumers, society).</li> <li>Increased competitiveness and long-term revenue generation.</li> <li>Scientific backing for more health areas (consumers, partners, society, research).</li> </ul>



**"Sustainability is a team effort. That's why we at Probi work together as colleagues and with our stakeholders. Our products contribute to the health and well-being of individuals, which benefits society and the world."**

Basudha Bhattarai Johansson  
VP HR & Sustainability

## The clinically proven effects of our products contribute to better health and well-being for everyone

### Quality, clinical trials

Probi's studies are performed in accordance with ethical principles, which stem from the Declaration of Helsinki and are consistent with the International Conference on Harmonization (ICH)/Good Clinical Practice (GCP), EU Clinical Trials Directive and applicable local regulatory requirements. As the bacterial flora is different in animals compared to humans, it is seldom relevant to test probiotics on animals.

### Increased availability of Probi products

During 2022, Probi and Sinopharm, one of China's largest pharmaceutical and healthcare companies, entered into a partnership to extend the portfolio of ClinBac™ and LiveBac® products in the Chinese market with a number of new products. This partnership is an important step in our commercial efforts to offer clinically proven probiotic products to consumers worldwide. This growth will establish Probi's position in the rapidly expanding APAC region.

### Innovation and initiatives in the future

In 2020, Örebro University, in collaboration with Probi and nine other Swedish companies, was awarded funding for research into new needle-free vaccines delivered via mucosal routes instead of traditional injections. Researchers will develop different types of new vaccines and study vaccination through the mucous membranes. The project will involve the use of probiotic bacteria as carriers for the vaccine antigens in order to achieve immunity against pathogens.

Probi is continuously striving to develop and investigate new possible indications where probiotics may have positive effects on different health areas. We collaborate with both independent researchers and Contract Research Organizations (CROs). The approach is to perform clinical studies in order to investigate the positive effects of Probi's bacterial strains in humans. Probi conducts clinical trials in areas such as gastric health, iron absorption, immune health and bone health. This is linked to Probi's vision of offering products that improve people's health and well-being.

The ambition for the future is to target new consumer segments such as infants, children and athletes. We will build on existing concepts but also develop new products in areas such as bone health, immune systems, iron absorption and vaginal health. We will also add oral health as a new segment, through a partnership with Blis Technologies.

# Acting responsibly

	KEY SUSTAINABILITY ISSUE																
	MINIMIZATION OF RESOURCE USE	RESPONSIBILITY IN THE VALUE CHAIN															
<b>Long-term ambitions</b>	To reduce resource use, especially water and energy, in manufacturing in the USA.	By 2025, all our suppliers will adhere to the established principles of safety, security, diverse and inclusive environments for employees.															
<b>Risks and opportunities</b>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Unsatisfactory working conditions and unsustainable resource use by Probi's suppliers may have significant consequences on Probi's reputation and operations.</li> <li>Resources such as water and energy are finite and must be used responsibly. The prices of resources, transport, insurance premiums, et cetera, are affected by continued depletion of the earth's resources, which in turn affects profitability.</li> </ul> <p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>A clear commitment in terms of the environment and human rights and Probi's impact on the world around us is fundamental to public confidence in Probi's contribution to human health and well-being. This is also relevant to Probi's continued development and ability to retain and recruit the best talent, and to meet the requirements that partners have of suppliers like Probi.</li> </ul>																
<b>How we manage our work at Probi</b>	<ul style="list-style-type: none"> <li>Environmental policy.</li> </ul>	<ul style="list-style-type: none"> <li>Supplier Code of Conduct.</li> <li>Employee Code of Conduct.</li> </ul>															
<b>Initiative 2022, risk management</b>	<ul style="list-style-type: none"> <li>Upgrade program in Redmond, Washington.</li> </ul>	<ul style="list-style-type: none"> <li>Regular audits of Probi's contractual suppliers</li> <li>In 2021, the Code of Conduct was sent out for signature to all contractual suppliers and the largest other suppliers.</li> </ul>															
<b>Results in 2022</b>	<p><b>WATER CONSUMPTION</b></p> <table border="1"> <thead> <tr> <th></th> <th>Megaliters</th> <th>Index<sup>1)</sup></th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>27.60</td> <td>0.176</td> </tr> <tr> <td>2020</td> <td>31.72</td> <td>0.131</td> </tr> <tr> <td>2021</td> <td>20.18</td> <td>0.091</td> </tr> <tr> <td>2022</td> <td>18.79</td> <td>0.106</td> </tr> </tbody> </table> <p><sup>1)</sup> Megaliters in relation to produced probiotic culture in KG in Probi USA.</p>		Megaliters	Index <sup>1)</sup>	2019	27.60	0.176	2020	31.72	0.131	2021	20.18	0.091	2022	18.79	0.106	<p><b>91%</b> of suppliers to whom the Code of Conduct was sent signed it. This work will continue in 2023 and beyond.</p>
	Megaliters	Index <sup>1)</sup>															
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<b>Stakeholder value creation and Probi's contribution to the UN Global Goals</b>	<ul style="list-style-type: none"> <li>Probi takes great responsibility for social and environmental issues (consumers, partners, society, employees)</li> </ul>																

	KEY SUSTAINABILITY ISSUE	
	A HEALTHY AND EQUAL WORKPLACE	ANTI-CORRUPTION, ETHICS AND INTEGRITY
<b>Long-term ambitions</b>	Promote the DEI (Diversity, Equity, Inclusion) agenda and a safe and secure working environment for all employees.	100% compliance with the Code of Conduct and all other policies and guidelines in order to maintain the highest possible standards in ethics, integrity, honesty and fairness.
<b>Risks and opportunities</b>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>Shortcomings in diversity, gender equality, work environment and employee health at Probi decrease the likelihood of recruiting talent, business innovation and increase the risk of accidents and sickness rates. Probi's reputation as an employer is damaged and this has a negative impact on profitability in the long run</li> <li>Cases of corruption generally have a negative effect on business opportunities in society and would damage Probi's reputation and business position</li> <li>Unethical management of clinical trials damages the Probi brand and confidence in the company</li> </ul> <p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>A clear commitment in terms of the environment and human rights and Probi's impact on the world around us is fundamental to public confidence in Probi's contribution to human health and well-being, to Probi's continued development and ability to retain and recruit the best talent, and to meet the requirements that partners have of suppliers like Probi</li> </ul>	
<b>How we manage our work at Probi</b>	<ul style="list-style-type: none"> <li>Whistleblowing function</li> <li>Code of Conduct</li> <li>Diversity policy and Discrimination policy</li> </ul>	<ul style="list-style-type: none"> <li>Whistleblowing function</li> <li>Anti-corruption policy</li> <li>Trade Sanctions policy</li> <li>Insider policy</li> <li>Code of Conduct</li> <li>Employee training</li> </ul>
<b>Initiative 2022, risk management</b>	<ul style="list-style-type: none"> <li>Training in Code of Conduct, diversity policy</li> <li>Processes and routines ensure the fair treatment of all employees.</li> <li>Action plan with measures in the event of discrimination</li> <li>Manufacturing facilities comply with OSHA (Occupational Safety and Health Administration) standards</li> </ul>	<ul style="list-style-type: none"> <li>Clinical trials are conducted in accordance with ICH/Good Clinical Practice (GCP), the EU Clinical Trials Directive and applicable national law</li> <li>Employee training</li> <li>Implementation of a new whistleblowing system</li> </ul>
<b>Results in 2022</b>	<p>Five work-related injuries that resulted in ten lost working days.</p> <p><b>Gender distribution</b></p> <p><b>Total employees</b></p> <ul style="list-style-type: none"> <li>Men: 48%</li> <li>Women: 52%</li> </ul> <p><b>Management team</b></p> <ul style="list-style-type: none"> <li>Men: 50%</li> <li>Women: 50%</li> </ul> <p><b>Managers</b></p> <ul style="list-style-type: none"> <li>Men: 49%</li> <li>Women: 51%</li> </ul>	<p><b>83%</b> of Probi's employees signed the company's internal Code of Conduct. New code of conduct was launched in December 2022. Signing will continue in 2023.</p> <p><b>100%</b> of Probi's new employees in selected departments completed the annual Trade sanctions training.</p> <p><b>100%</b> of Probi's new employees in selected departments completed the annual insider policy training.</p>
<b>Stakeholder value creation and Probi's contribution to the UN Global Goals</b>	<ul style="list-style-type: none"> <li>Probi takes great responsibility for social and environmental issues (employees, customers, consumers, partners, society)</li> </ul>	



**We do our utmost to use circular economic initiatives, minimize our use of natural resources and provide safe working conditions throughout the value chain.**

# Sustainable guidance

## Probi's Code of Conduct

Probi has an internal Code of Conduct that applies to all employees. This code covers, amongst other things, respect for human rights, equality and business ethics. The Code of Conduct has been signed by 83% of all employees and is part of the induction package for new hires. The document can be found on the Probi employee intranet.

## Human rights

The Code of Conduct explicitly states that Probi shall not use child labor and/or forced labor and shall respect international conventions on human rights. This also applies to our suppliers and partners.

## Purchasing, suppliers

Unsatisfactory working conditions and unsustainable resource use by Probi's suppliers may have significant consequences on Probi's reputation and operations. This can, moreover, affect business relationships, quality of products, the environment and, eventually, profitability. The Quality Assurance team performs audits of Probi's contractual suppliers, making sure that the suppliers meet Probi's standards. The contractual suppliers have to complete a "Supplier Questionnaire" where aspects concerning, for instance, sustainability are highlighted. In 2021, a separate Supplier Code of Conduct was also implemented. In 2022, Probi has continued work of getting more suppliers to sign its code of conduct and is making good progress.

## Anti-corruption

Incidents of corruption could harm Probi's reputation and have a serious negative effect on Probi's business and financial position. Probi has adopted an Anti-Corruption Policy for the prevention, deterrence and detection of corruption. The policy applies to all employees at Probi, including managers, executive officers and members of the board of directors. Probi provides adequate training for all employees on an annual basis, and 89% completed anti-corruption training in 2022. Training will continue in the

years to come to ensure the right level of expertise in the organization.

## Whistleblowing function

In 2022, a new system was implemented to ensure the proper handling of incoming whistleblower reports. Both internal and external parties can use this channel to report irregularities or problems that have caused or could cause serious damage to the company and its stakeholders.

## A healthy and equal workplace

### Diversity & Equality

Probi's processes, policies and routines ensure the fair treatment of all employees. Probi's Code of Conduct and Diversity Policy determine essential principles related to equality and diversity. The organization also has an action plan for responding to discriminatory treatment which includes measures taken, depending on the nature of the situation. Equal treatment and equal opportunities must apply to everyone regardless of ethnicity, social or national origin, skin color, disability, gender, sexual orientation, religion, political opinion, pregnancy or age. Probi respects its employees' rights to free association and collective bargaining. No employee should risk being harassed for exercising these rights. Probi advocates diversity and an inclusive culture. We recognize the importance of diversity and the role it plays in innovation, which is relevant for customers' needs and for being an attractive employer. There must be equality in employee development, pay review and parental leave. Probi strives to have an even gender distribution as possible in different positions. In addition, in its work the Nomination Committee has taken into account point 4.1 of the Swedish Code of Corporate Governance, which constitutes the diversity policy that the Nomination Committee has applied in preparing its proposal for the Board of Directors. The Nomination Committee has sought an appropriate composition, characterized by diversity and breadth of the proposed members' expertise, experience and background and an even gender distribution.

### Health and well-being

Probi's vision is to offer products that improve people's health and well-being. Health is therefore an essential part of Probi's business and the organization is determined to create a good and attractive working environment for all employees. Probi

looks at health from three different perspectives: physical, mental and financial. Probi offers safe workplaces for all employees. All employees in Sweden are affiliated with the collective agreement IKEM. The company also follows local guidelines and regulations, performs regular inspections and implements measures to ensure a psychologically healthy work environment across the global organization. Probi's 4C values are used for guidance purposes in this work. Part of Probi's culture is to be a learning organization with a safe environment where employees are not afraid to make mistakes and have the opportunity to develop. To encourage health, Probi offers paid vacation days to all employees, including in the US and Asia. As an employer, Probi pays its employees a market wage and offers benefits such as pensions and other insurance in accordance with local regulations and practices. By offering fair compensation for work and benefits that promote employees' health, Probi creates financial well-being among its employees. Probi regularly reviews the organization in different ways, such as mandatory performance reviews and employee surveys. Probi offers various health benefits in order to improve employees' health and well-being. Healthcare in Sweden is largely tax-funded, a system that ensures everyone has equal access to healthcare services. In the USA and Asia, Probi pays a large portion of employees' premium costs for health insurance. Probi USA and Probi Asia-Pacific also provide long- and short-term disability coverage for all employees. Starting in 2021, Probi USA covers a portion of the premium costs for employees' family members. As an employer, Probi encourages activities such as employee clubs and team building, which have a positive impact on the working culture.

### Occupational health and safety

Probi's manufacturing facilities comply with applicable OSHA (Occupational Safety and Health Administration) standards, have occupational health and safety systems in place and have appointed safety committees that meet on a monthly basis, where they for example identify safety issues, develop solutions to safety problems, review accidents and evaluate the effectiveness of the safety program. Probi USA also conducts risk analyses and has implemented a training program for the employees covering manufacturing and quality organizations. The employees receive training in aspects including general manufacturing practices and personal protection equipment. Probi continuously reviews and evaluates working conditions and safety.

## Focus on employees

As a consequence of the pandemic, Probi took the opportunity to explore the option of allowing employees to work both from home and in the office, according to their needs and wishes. In October 2021, Probi introduced, on a trial basis, a new work system: the Hybrid Working Model.

In 2022, Probi formalized the Hybrid Working Model. Being able to choose where to spend your working day according to your tasks and needs is seen by many as the perfect solution to work-life balance. In this way, Probi is not only continuing to help reduce the spread of the virus, but also reducing the environmental impact of the daily commute.

This new working model may even contribute to a better work-life balance for employees. Some employees also report increased productivity and closer working relationships.

In 2022, Probi has placed great emphasis on ensuring its most vulnerable employee groups in US were not facing economic hardships due to turbulent inflation rates. Probi exercised a number of compensation strategies and revised its benefits and insurance packages to be fair and meet the need of our employees.

**41 years old**

Average age

**47**

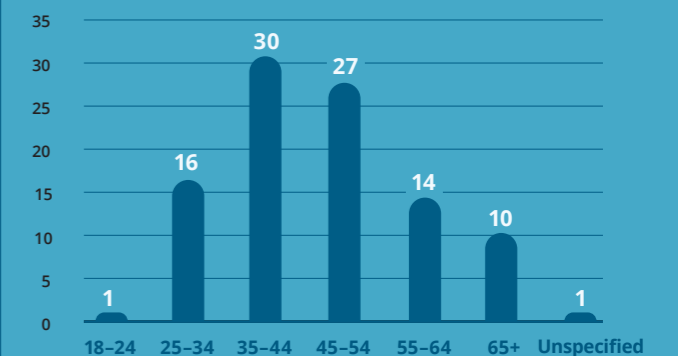
New hires

**59%**

Employee turnover\*

\* The reasons behind the high employee turnover are mainly related to the high rate at the production facility in Colorado.

Age distribution of employees as of 12/31/2022, in %



# Curbing climate change



	KEY SUSTAINABILITY ISSUE																																					
	REDUCED CO2 EMISSIONS THROUGHOUT THE VALUE CHAIN	CLIMATE-NEUTRAL OPERATIONS	WASTE REDUCTION																																			
<b>Long-term ambitions</b>	<ul style="list-style-type: none"> <li>Do our utmost to halve emissions in our operations and value chain by 2030</li> <li>Reduce energy consumption per product manufactured</li> <li>Reduce emissions from freight</li> </ul>	Achieve net zero or negative climate emissions by 2040 but no later than 2050	By 2030, reduce waste significantly in operations through prevention, reduction, recycling and reuse																																			
<b>Risks and opportunities</b>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>The world is facing a threat from the climate that will increase the vulnerability and health of the poorest and worsen the living conditions of future generations. The primary source of climate emissions for Probi is the manufacturing operations at facilities in Redmond, WA and Lafayette, CO</li> <li>The climate threat may affect the availability and price of resources and raw materials, a risk of floods and intense heat waves may affect insurance costs, the transport of goods and readiness to invest</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Protecting the climate and the environment is a focus area for all our existing and potential partners, and Probi's commitment and monitoring is a prerequisite for growth</li> <li>For an increasing number of consumers, a clear commitment to the environment, i.e. climate, waste, etc. on the part of employers and suppliers is a prerequisite for their employment or incentive to purchase</li> </ul>																																					
<b>How we manage our work at Probi</b>	<ul style="list-style-type: none"> <li>Environmental policy</li> </ul>	<ul style="list-style-type: none"> <li>Environmental policy</li> </ul>	<ul style="list-style-type: none"> <li>Production systems and processes</li> </ul>																																			
<b>Initiative 2022, risk management</b>	Encourage climate action in our broader role in society and continue to report targets and results transparently on an annual basis	Integrate climate opportunities and risks into our business strategy and management processes	Continuous improvement is a key theme at Probi. Probi is running a number of internal projects with a significant impact on waste minimization																																			
<b>Results in 2022</b>	<p><b>FREIGHT EMISSIONS</b></p> <table border="1"> <thead> <tr> <th></th> <th>Air (tCO<sub>2</sub>e)</th> <th>Road (tCO<sub>2</sub>e)</th> <th>Total (tCO<sub>2</sub>e)</th> <th>Index<sup>1)</sup></th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>1,164</td> <td>47</td> <td>1,211</td> <td>1.958</td> </tr> </tbody> </table> <p><sup>1)</sup> Tonnes of CO<sub>2</sub>e in relation to net sales.</p> <p>During the year, a new tool was implemented to measure emissions from transport and thus there are no comparative figures.</p> <p><b>ENERGY CONSUMPTION</b></p> <table border="1"> <thead> <tr> <th></th> <th>kWh</th> <th>Therms</th> <th>CO<sub>2</sub> (ton)</th> <th>Index<sup>2)</sup></th> </tr> </thead> <tbody> <tr> <td>2019</td> <td>2,499,514</td> <td>66,265</td> <td>1,170</td> <td>7.468</td> </tr> <tr> <td>2020</td> <td>2,283,394</td> <td>67,758</td> <td>1,112</td> <td>4.590</td> </tr> <tr> <td>2021</td> <td>2,595,441</td> <td>74,326</td> <td>1,288</td> <td>5.812</td> </tr> <tr> <td>2022</td> <td>2,768,610</td> <td>81,193</td> <td>1,397</td> <td>7.916</td> </tr> </tbody> </table> <p><sup>2)</sup> CO<sub>2</sub>e tonnes in relation to produced probiotic culture in KG in Probi USA.</p> <ul style="list-style-type: none"> <li>All electricity used at Probi's offices in Lund, Sweden, is 100% renewable. Part of the electricity consumed in the manufacturing facility in Redmond, Washington, is fossil-free</li> <li>Probi in Sweden has adopted a hybrid work model on a trial basis, thereby reduced the emissions that would have resulted from employee commuting during this period</li> <li>In Lund, Probi has launched a new cycling scheme to encourage all its employees to cycle to work, for both health and environmental reasons</li> <li>Probi continues to support projects through ZeroMission to offset its carbon emissions from air travel. Read more on the next page</li> <li>Continued recycling efforts during the year have contributed to a reduction in paper consumption.</li> </ul>				Air (tCO <sub>2</sub> e)	Road (tCO <sub>2</sub> e)	Total (tCO <sub>2</sub> e)	Index <sup>1)</sup>	2022	1,164	47	1,211	1.958		kWh	Therms	CO <sub>2</sub> (ton)	Index <sup>2)</sup>	2019	2,499,514	66,265	1,170	7.468	2020	2,283,394	67,758	1,112	4.590	2021	2,595,441	74,326	1,288	5.812	2022	2,768,610	81,193	1,397	7.916
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<b>Stakeholder value creation and Probi's contribution to the UN Global Goals</b>	<ul style="list-style-type: none"> <li>Probi takes responsibility for its climate impact and also takes action to minimize it (consumers, society)</li> <li>Compliance with current and prospective laws (investors, risk perspective)</li> <li>Increased competitiveness and long-term survival of the business (customers, society, employees, investors)</li> </ul>																																					

## Probi is committed to contributing to the 1.5°C aim of the Paris Agreement

### Energy and water consumption, greenhouse gas emissions and waste

Probi continuously evaluates the company's processes with the aim of continuing to streamline and digitize various functions of the business. We take the initiative to hold meetings digitally when face-to-face meetings are not necessary. In both 2020 and 2021, the majority of meetings were held digitally due to Covid-19. In 2022, we continued with lessons and our good habits of digital meetings wherever it was most effective. However, Probi's international operations as a B2B company entail business travel by air, as customer meetings, exhibitions and fairs are an important part of the business. To compensate for the resulting emissions, Probi contributes to the project Sustainable pastures in Mongolia in partnership with ZeroMission, in accordance with the Plan Vivo standard. This compensation is intended to offset carbon emissions arising from business-related air travel.

To transport products to our customers, we employ professional freight carriers with efficient transport systems. By doing so, the company can access more efficient transportation methods, thus reducing its environmental impact.

Probi's production facilities in Redmond, WA, and Lafayette, CO, are GMP certified and hold all licenses required under US environmental law. In terms of resource consumption, electricity and gas are primarily used in manufacturing. Water is mainly used in the fermentation process in the manufacturing unit in Redmond.

As an extension of Probi's culture of continuous improvement, great emphasis is placed on further streamlining production, minimizing waste and reducing the use of resources. The upgrade program Redmond has had a positive impact on water consumption, as well as reducing costs of supplies and other overheads. Water is not exactly in short supply in the Seattle area, where our fermentation plant is based. But since this is an important part of the production of probiotics, it is particularly important for Probi to focus on water. An increased focus on water reduction reduced consumption by around 60% thanks to the installation of a new cooling system. The upgrade is much more efficient than the previous cooling systems. Modern refrigeration technology enables fermentation to be controlled with greater precision, which in turn improves production yields. The new cooling system not only reduces the amount of water used, but it also give us advantages in the fermentation process. In other words, it has benefits both in terms of environmental impact and from a quality perspective.



### Donation agreement with the University of Zimbabwe

Probi strives to improve health and well-being. To fulfill this aim, Probi has successfully started a collaboration with the University of Zimbabwe. It began through an exchange program for medical students between Lund University and the University of Zimbabwe, which has been going on for over a decade and has now turned into a formal donation agreement.

One of Probi's founders, Professor Emeritus Bengt Jeppsson, who has been involved in the exchange program has collaborated with colleagues to bring this agreement into being. Together with Professor Muguti, an agreement has been made which mainly covers educational purposes, medicines, hospital equipment and materials.

Part of the donation also contributes to building and maintaining the hospital's infrastructure, as well as supporting the University of Zimbabwe International Center for Surgical Simulation (UZICSS) project. The project supports the training of surgeons, surgical students and medical students from Zimbabwe and Sub-Saharan Africa.

# The Probi value chain

## Probi's commitment throughout the value chain

Probi is a vertically integrated global probiotics group monitoring the entire value chain; from research and development, formulation and production to marketing and sales. At Probi, sustainability is at the heart of who we are and what we do. We work continuously to ensure that we make the best decisions for our stakeholders and for the planet at every stage of our value chain. There are areas where Probi has more influence and certain areas where Probi has less ability to bring about change.

Because we are in the probiotics segment, there are only a handful of suppliers that Probi can buy its raw materials from.

We are working to increase our manufacturing capacity to produce more in-house, to ensure in turn that we can provide good quality products to our customers while monitoring working conditions.

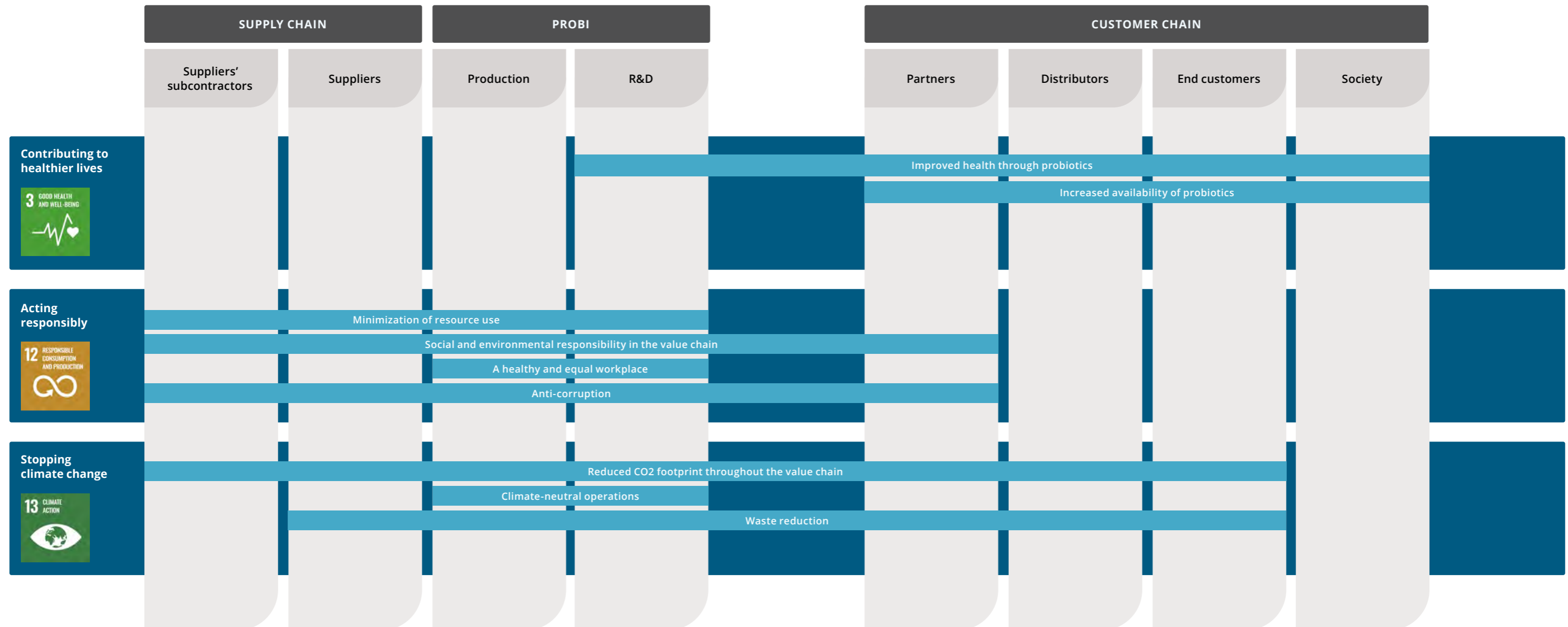
Probi does not accept violations of human rights, wasteful consumption of natural resources, violations of labor laws or unethical business practices. We expect our employees and our suppliers to adhere to this business philosophy, thereby minimizing the risks to our customers, our shareholders and the communities in which we operate.

We are fair in our business practices and trustworthy to our customers while ensuring good relationships with our customers. Our sales and R&D teams work closely with our customers to provide a detailed and accurate overall view of what our products can do for people's health.

All our client-facing employees undergo annual anti-corruption training to ensure ethical business practices. Selected employees also receive training in Trade Sanctions and insider trading regulations. 83% of our employees have read and signed Probi's internal Code of Conduct.

We ensure fair conditions for our distributors and select our partners carefully. If a company wants to work with Probi, its values must match ours.

Probi also contributes to value creation in society; we are expanding and thereby increasing access to quality-assured, clinically tested probiotics that contribute to better health in various segments. Probi is a learning organization. We are constantly striving for improvement and innovation in both processes and production.



# The shares

## Listing

Since 2004, Probi has been listed on Nasdaq Stockholm and trades under the ticker PROB. Probi belongs to the "Mid Cap" segment, which includes companies with market capitalization between EUR 150 million and EUR 1 billion. Probi belongs to the "healthcare" and "biotechnology" sectors.

## Share capital

At the end of 2022, Probi's share capital amounted to SEK 58,220,625 (58,220,625), divided into 11,394,125 shares (11,644,125). The nominal value of the share is SEK 5.11 (5.11). Each share carries one vote and an equal right to participate in the assets and profits of the company.

## Shareholders

The number of registered shareholders was 3,729 on December 31, 2022, compared to 3,767 on December 31, 2021. Institutional shareholders represent 91.7% (91.7) of the total number of shares, with private shareholders representing 8.3% (8.3) and foreign shareholders 77.0% (66.7). The largest proportion of shares among foreign shareholders is in Europe, representing 75.5% (65.1) of the total number of shares. Probi's main shareholder, Symrise AG, held 67.6% of the capital and votes at the end of the year. Symrise AG treats Probi AB as a subsidiary in its consolidated financial statements and fully consolidates the company.

## Share performance

During 2022, Probi's share price decreased by 49% and was quoted at SEK 204.00 (397.50) on the final trading day of the year. OMX Stockholm PI decreased by 23% during the year. Probi's highest and lowest prices in 2022 were SEK 411.00 (660.00) and SEK 190.00 (297.00) respectively. Probi's total market capitalization amounted to SEK 2,324 million (4,529) on December 31, 2022. In 2022, 986,307 (877,792) Probi shares were traded on Nasdaq Stockholm. The average number of shares traded per trading day was 3,883 (3,470).

## Dividend policy

Probi's dividend policy is to have a share dividend of 10-30% of the year's profits, provided that the company's financial position allows this.

The Board of Directors and the CEO will propose at the Annual General Meeting 2023 that the company issues a dividend of SEK 1.30 per share (1.30). This means a total dividend of SEK 14.8 million (14.8), and that the parent company's remaining retained earnings of SEK 1,182.7 million will be carried forward.

## Option scheme

Probi has no outstanding convertibles or warrants.

## The shares 2018–2022



## DEVELOPMENT OF SHARE CAPITAL

Event	Year	Issue price	Change in no. shares	Total shares	Nominal value per share	Change in share capital	Share capital
Formation	1991		500	500	100.00	50,000	50,000
Bonus issue 1:1	1997		500	1,000	100.00	50,000	100,000
Directed issue <sup>1</sup>	1997		150	1,150	100.00	15,000	115,000
Split from 100 to 1	1997		113,850	115,000	1.00	-	115,000
Bonus issue 34:1	1998		3,910,000	4,025,000	1.00	3,910,000	4,025,000
Directed issue <sup>2</sup>	1998		1,006,250	5,031,250	1.00	1,006,250	5,031,250
Bonus issue 15:10	1998		7,546,875	12,578,125	1.00	7,546,875	12,578,125
Directed issue <sup>3</sup>	1998	12	1,721,875	14,300,000	1.00	1,721,875	14,300,000
Bonus issue 13:10	1998		18,590,000	32,890,000	1.00	18,590,000	32,890,000
New issue with preferential rights	2000	10	8,222,500	41,112,500	1.00	8,222,500	41,112,500
Reverse split 5:1	2004		-	8,222,500	5.00	-	41,112,500
New issue	2004		1,142,800	9,365,300	5.00	5,714,000	46,826,500
New issue with preferential rights	2016	264	2,278,825	11,644,125	5.00	11,394,125	58,220,625
Cancellation of treasury shares	2021		-250,000	11,394,125	5.11	-	58,220,625

<sup>1</sup> Issue directed at founders and senior executives.

<sup>2</sup> Issue directed at Skånemejerier's ownership group and Probi AB.

<sup>3</sup> Issue directed at Skånemejerier's shareholders, employees of Probi AB and Skånemejerier as well as certain other related parties.

## SHAREHOLDERS

	Number of shares	Share of capital and votes (%)
Symrise AG	7,702,366	67.6%
Fjärde AP-fonden	1,057,188	9.3%
Caceis bank. W-8IMY	645,000	5.7%
Swedbank Robur fonder	206,737	1.8%
Societe Generale securities service	86,266	0.8%
SEB	85,654	0.8%
Avanza pension	75,761	0.7%
JP Morgan Chase bank	75,216	0.7%
Nordea Innovation Stars fund	74,000	0.7%
BNY Mellon NA, W9	59,558	0.5%
Others	1,326,379	11.6%
<b>Total shares</b>	<b>11,394,125</b>	<b>100.0%</b>

## HOLDING PER SHAREHOLDER

Share distribution	Number of shareholders	Number of shares	Portion of shares (%)
1 – 500	3,267	301,327	2.6%
501 – 1 000	258	194,402	1.7%
1 001 – 5 000	156	338,731	3.0%
5 001 – 10 000	17	113,328	1.0%
10 001 – 15 000	9	113,187	1.0%
15 001 – 20 000	3	52,532	0.5%
20 001 -	19	10,280,618	90.2%
<b>Total</b>	<b>3,767</b>	<b>11,394,125</b>	<b>100.0%</b>

# Probi AB (publ)

Annual accounts  
and consolidated  
financial statements  
for 2022 financial year

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The annual report and consolidated accounts can be found on pages 46-83.



# Directors' report

The Board of Directors and CEO of Probi Aktiebolag (publ) with its registered office in Lund, Sweden, corporate ID number 556417-7540, hereby submit the annual report and consolidated accounts for 2022.

Probi was founded by researchers in Lund in 1991. Today, Probi is one of the largest, leading global probiotic companies with a total of four units in the US, Sweden, and Singapore. Probi has a strong, broad, product portfolio, primarily in the areas of gastric health and the immune system. Probi has its own capacity for fermentation, formulation and production, which takes place in GMP-certified plants. Probi develops, manufactures, sells and markets probiotics in the form of powders, capsules, tablets or fruit drinks, in close collaboration with leading health, pharmaceutical and food companies. Probi is a leader in innovation and development and invests significant resources in commercially-based and structured research and development work. All projects are based on customer needs. In recent years, Probi has published a number of studies with results that are important for its future development. Probi has over 400 patents.

## Significant events in 2022

- In February, Russia invaded Ukraine. Probi's exposure to Russia and Ukraine is limited but it meant that certain customers had to adjust their launch plans for the year.
- At the start of the year the first commercial batch of BLIS K12, a product in oral health, was produced. As part of a long-term strategic collaboration, Probi started a strategic partnership with New Zealand's Blis Technologies Ltd in July 2021. As part of this partnership, Probi® and Blis signed a license and distribution agreement. Probi now manufactures BLIS® strains at its fermentation facility in Redmond, Washington. During the year, the two companies continued their collaboration on further research and development as well as further commercialization of the products.
- A new laboratory was completed in Lund, with the aim of increasing capacity and enabling the use of new methods in preclinical research, product development and quality control.

- Anita Johansen was recruited as the new Vice President Research & Development, with effect from April 1, 2022.
- During the year, the first delivery of SymFerment® took place, which is the result of product development with Symrise AG. The product is based on a by-product from the production process and is part of a skincare product that Symrise launched in April. By reusing materials from the regular fermentation process, both the environmental impact and costs are reduced while generating revenue.
- Comprehensive pilot study in mental health completed. The study included 132 participants with a focus on creating new customer offers.
- Probi announced that from April 1, 2023, the company will take over distribution of the Probi® brand in Sweden, which is sold in pharmacies and health retailers. Since 2009, Probi has had a distribution agreement with an external distributor for the sale of Probi® in Sweden. Now that the agreement is expiring, Probi has chosen to finish the collaboration and build up its own marketing organization with the aim of developing the brand and increasing sales on the Swedish market. The Probi® brand is the market leader in probiotic food supplements in Sweden.
- At the end of the year, the right to a strain for the faster commercialization of spores was bought from American partners. Spores are an area with great commercial potential, for example in the USA, and the launch is planned for 2023.
- Continued investments took place in the manufacturing unit at Redmond, Washington during the year. In 2023, the focus will be on further optimization of the production processes.
- On December 8, Probi's board appointed Anita Johansen as interim CEO after the resignation of Tom Rönnlund. Recruitment of a new CEO has started.

## Sales and results

Probi's net sales amounted to SEK 618.3 m (658.2). The total decrease was SEK 39.9 m or 6% compared to the previous year. Had exchange rates remained unchanged, net sales for the full year would have been SEK 70.0 m lower.

Net sales in Probi's largest market, the Americas (North and South America), amounted to SEK 454.5 m (484.6), which corresponded to 74% of Probi's total net sales. The decrease of SEK 30.1 m (6%) was mainly due to greater caution in the American market but also to reduced volumes to two major customers. Sales in EMEA (Europe, the Middle East and Africa) decreased by 12% compared to last year, to SEK 109.6 m (124.1). The reduction is due to a change in Perrigo's strategy, which led to reduced sales during the year. The APAC region (Asia and the Pacific) had net sales of SEK 54.2 m (49.5), an increase of 9%, due to increased volumes to customers, primarily in the Chinese market. The gross margin decreased to 41% (44) of net sales, which was mainly due to lower sales volumes compared to the previous year.

Sales and marketing costs amounted to SEK 100.9 m (88.9), with the majority of the increase coming from changes in exchange rates but also more customer activity due to the easing of Covid restrictions during the year. Research and development costs amounted to SEK 38.3 m (37.1) and were on a par with the previous year. Administration costs amounted to SEK 65.9 m (54.4), which was SEK 11.5 m higher than last year. The increase is explained by personnel-related restructuring costs in connection with the CEO's departure, while business development costs were higher than the year before.

The Group's operating profit for the year was SEK 50.6 m (109.2). Adjusted for currency effects, the operating profit was SEK 35.5 m (119.2).

The Group's financial result for the year was SEK 1.4 m (-1.8). Financial income amounted to SEK 1.7 million (0.2) and relates to income interest. Financial costs amounted to SEK -2.5 m (-1.9) and mainly related to interest costs on leasing contracts. An exchange rate profit of SEK 2.2 m (-0.1) arose during the year and relates to the translation of cash and cash equivalents in foreign currency.

The tax cost was SEK 11.4 m (24.3) and the effective tax rate was 21.8% (22.6%).

The profit after tax for the year amounted to SEK 40.6 m (83.1) and earnings per share for the year was SEK 3.57 (7.30).

## Cash flow and financial position

Cash and cash equivalents increased during the year by SEK 72.7 m to SEK 323.7 m (251.0). Cash flow from current activities increased by SEK 1.9 m compared to last year, where a lower operating profit was compensated by lower working capital. Cash flow from investment activities amounted to SEK -64.6 m (-97.5). Investments in intangible assets amounted to SEK -12.2 m (-7.4) of which SEK -3.4 m (-0.5) relates to software, SEK -3.9 m (-4.1) relates to patents, SEK -3.1 m (-2.8) relates to capitalized development expenses and SEK -1.8 m (0.0) relates to other intangible fixed assets. Capitalized development expenses during the year mainly relate to clinical studies in gastrointestinal and immune health as well as nutritional intake. Investments in participations in other companies amounted to SEK 0.0 (SEK -55.9 m) but in 2021 related to investments in shares in Blis Technologies Ltd. Investments in tangible fixed assets amounted to SEK -52.4 m (-35.1) and related mainly to investments in the manufacturing unit in Redmond, Washington, but also to a rebuilding of the laboratory in Lund.

Cash flow from financing activities amounted to SEK -29.3 m (-28.0). This amount includes interest received of SEK 1.7 m (0.2), interest paid of SEK -2.5 m (-3.2) and lease commitments paid of SEK -13.7 m (-12.4). The dividend amounted to SEK -14.8 m (-12.5).

## Segment information

Probi's business is divided into three operating segments. These segments are based on a geographical division and consist of the regions Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia and the Pacific). All segments sell probiotics to pharmaceutical and healthcare companies as well as customers specializing in probiotics and self-care products. Revenues are generated through sales of goods in everything from raw materials in bulk to ready-produced products in their final consumer packaging. In addition, foods containing Probi's probiotics are being developed, which is done in collaboration with leading food companies. Revenue comes from both sales of goods and royalties. The Americas has two in-house manufacturing units, including a fermentation unit in Redmond, Washington and a production and packaging unit in Lafayette, Colorado. There is no monitoring of the company's assets at segment level.

### Americas

Net sales for the Americas in 2022 amounted to SEK 454.5 m (484.6), corresponding to a decrease of 6%. Adjusted for exchange rates, the decrease in sales was 20%. In 2022, the American market was more cautious, and there were no orders from two major customers, which were the main explanations for the reduced net sales. Net sales for the Americas corresponded to 73% of the Group's net sales. The gross margin for the year amounted to 37% (40), which was slightly lower than last year as a result of reduced sales volumes. During the year, work continued to upgrade the manufacturing unit in Redmond. In 2023, the focus will continue to be on further optimization of the production processes.

### EMEA

In 2022, net sales for EMEA amounted to SEK 109.6 m (124.1). This reduction is primarily due to the customer Perrigo canceling its launch. The region's net sales corresponded to 18% of the Group's net sales. For the full year, the gross margin was 52% (54), where the decrease is explained by lower sales volumes. During the year, the agreement with the Swedish distributor was terminated and from April 2023 the distribution and the brand will be run by Probi.

### APAC

Net sales for APAC during the year amounted to SEK 54.2 m (49.5). This increase is mainly due to increased sales on the Chinese market, despite it being strongly affected by Covid restrictions. The region's net sales corresponded to 9% of the Group's net sales. For the full year, the gross margin was 58% (56), where the increase is explained by greater sales volumes.

Risks and uncertainties

AREA	RISK DESCRIPTION	RISK MANAGEMENT
<b>Changes in consumer trends</b>	An overriding social trend among consumers in many geographic markets is the continued growing interest in health, health products and a healthy lifestyle. The prevailing health trend has had a positive impact on consumer demand for probiotics and other products. Should the prevailing health trend diminish or change, and lead to a change in consumption patterns and consumer trends, this could halt or slow demand for Probi's products, which could have a negative impact on Probi's operations, financial position and earnings.	Probi contributes to global health by offering well-documented probiotics with a variety of health benefits. The business monitors trends, consumer behavior and demand for product content. Probi participates in and presents at various fairs and exhibitions around the world (physically or digitally). To keep the business up to date with societal trends, Probi purchases market reports and analyzes. The IPA (International Probiotics Association), of which Probi is a member, pursues an active agenda to highlight the benefits of probiotics. IPA drives innovation and tries to increase the use of probiotics.
<b>Agreements with strategically selected customers</b>	Probi has agreements with a number of customers in various countries who market Probi's products and technology, or are planning to do so. Should one or more of these collaborations end or not lead to launches, this would have a negative impact on Probi's revenue, earnings and financial position.	One of Probi's focus areas for achieving doubled sales is to increase the number of key customers, in order to better balance fluctuations. Probi maintains a constant dialogue with the customer in order to understand and meet the customer's needs. With a competent and professional sales organization, with support from other functions, Probi creates good conditions for good and long-term business relationships, which in combination with long-term customer agreements reduces the risk of collaborations ending.
<b>Acquisitions</b>	Probi's business strategy includes growth through acquisitions. Opportunities for this depend on the company's ability to identify suitable acquisition targets, implement the acquisitions on favorable terms for Probi and successfully integrate them into the Group. If acquisitions cannot be implemented, the company's capacity for future growth could decline. In addition, completed acquisitions may also give rise to a number of risks, such as if the due diligence process prior to an acquisition proved insufficient or defective. Such flaws could, for example, result in expected acquisition synergies not being realized or in unforeseen costs arising from the integration process.	Probi has appointed a transaction committee and a transaction team to handle acquisition processes. In the transaction team, various functions are represented so that any risks can be identified and taken into account. If necessary, the company can also bring in external expertise to carry out the due diligence process.
<b>Competition</b>	The growing interest in probiotics means that Probi faces greater international competition, such as in the form of increased price pressure from established and new players in the market. Competition will also come from other products with equivalent health benefits. Over time, this could entail a threat to Probi's market position and growth.	Innovation and development are a central part of Probi's operations. Confidence in Probi's brand and products is essential for the company's market position and long-term development. Top-quality clinical studies and reliability on Probi's bacterial strains create credibility for the products, which is an important part in creating growth. With constant development, innovation and improvement initiatives, the chances of gaining and maintaining confidence increase and improve the company's market position.
<b>Regulatory risks</b>	The requirements and regulations for the use of health claims for probiotics, for example, are constantly being tightened. Since July 1 2007, nutrition and health claims have been regulated by an EU directive (1924/2006) that applies in all EU countries, which has placed considerable restrictions on the options of communicating the health-related benefits of products to consumers. Regulatory processes are also being tightened in other geographic markets. Since Probi's continued expansion presumes product launches in a greater number of geographical markets, the tightening of regulatory processes in various markets could entail the risk of increased costs and delayed launches for Probi.	Probi has a dedicated department handling regulatory matters and monitoring current regulations. To reduce regulatory risks, Probi works closely with customers, suppliers and various authorities. Probi has regulatory teams in different geographical areas to ensure that the business has the right expertise for the current market and thus customers' needs.
<b>Patents, trademarks and other rights</b>	Probi's continued development depends largely on continued successful research and the ability to protect future revenue streams from product sales with extensive patent protection. Thus, it is vital that granted patents can be maintained and that newly developed products and applications can be patented or protected in some other way. There is a risk that current or future patents, trademarks and other intellectual property rights held by Probi will not provide adequate protection against infringement and competition. Moreover, patents held by other operators could limit the potential for or prevent Probi and its licensees from freely utilizing a certain product or production method in specific markets.	Probi collaborates with an external party that helps manage, review, monitor and protect the company's patents and trademarks. This work is carried out in accordance with Probi's international patent strategy.

AREA	RISK DESCRIPTION	RISK MANAGEMENT
<b>Operations subject to permits</b>	Probi conducts business that requires certain permits under environmental law in the US. Any changes in environmental legislation could adversely affect Probi's operations, financial position and results.	Probi's quality department works constantly and committedly with the quality and development of the business, while the business ensures that relevant laws, guidelines and practices are followed to maintain and procure new, necessary, permits from the authorities, certifications and licenses.
<b>Supply of goods</b>	A significant portion of Probi's future growth is based on the delivery of ready-made products in the form of powder, capsules and tablets. Probi has two manufacturing units in the US, a fermentation unit in Redmond, Washington and one manufacturing and packaging unit in Lafayette, Colorado. An interruption in production could have an impact on deliveries to customers, as most of the production takes place against orders. Part of the manufacturing is done by suppliers where Probi is dependent on them complying with agreed requirements in areas such as quality, volumes and delivery dates.	Probi's supply chain consists of both internal and external manufacturing. This means that it is possible to address changes in the order flow by adjusting the balance between internal and external manufacturing. With regard to external production, a dual sourcing strategy is applied to reduce dependence on individual suppliers.
<b>Product liability</b>	Probi could be subject to product liability claims if the company's products are alleged to have caused personal injury or property damage. Probi's insurance schemes contain product liability protection. Probi's business could give rise to claims for damages that are not covered by the insurance, which could have an adverse impact on Probi's earnings and financial position.	Producing live and active probiotics is a very complex process and Probi focuses on ensuring that the products are of the highest quality. The quality department conducts audits on Probi's contract suppliers and ensures that the suppliers meet the standards and requirements. The business also makes extensive and consistent analyses of all ingredients and components. Probi has a quality department with a laboratory that has processes for quality control. The manufacturing units have extensive experience of producing probiotics where quality is a prerequisite for satisfied customers.
<b>Strategic research and development</b>	Probi's R&D and product development encompass both in-house work and collaborations with external Swedish and international researchers and organizations. However, there is no guarantee that these efforts or collaborations will lead to new launchable products, or that Probi will receive exclusive rights to any results.	The board approves the strategic focus on research and development. Probi has established an internal steering group which ensures that the project is in line with the established strategy and also that the commercial interests are taken into account. The employees' competence and experience play an important role in planning initiatives and collaborations in research and development. Probi also has a network of international researchers and organizations.
<b>Key individuals and employees</b>	Probi's future development is dependent on being able to retain employees and on recruiting and introducing new employees with the required skills. Probi's most important asset is its employees and therefore the business is dependent on retaining and attracting new talent.	Probi attaches great importance to creating a good physical and mental work environment for all employees. By implementing a healthy, inclusive and stimulating corporate culture with good leadership, Probi protects its brand as an employer. Probi regularly conducts employee surveys where, among other things, improvement proposals for the workplace are addressed. Mandatory development talks are held to ensure personal development. For more information, see page 37.
<b>Information technology</b>	A secure and reliable IT environment with high availability is a prerequisite for efficient running of operations. External and internal attempts to breach the IT environment that limit its availability or result in the loss of company information could have an adverse impact on Probi's earnings and financial position.	The company has adopted an IT policy and the overall goal is to achieve secure management within the Group. The policy contains guidelines for acceptable use, purchasing, descriptions of how the Group handles privacy, information and IT security. Probi is constantly working to develop IT security to protect the business. Probi strives for the highest reasonable security against internal and external threats and unauthorized access through continued improvements.
<b>Financial risks</b>	Probi is exposed to several financial risks that primarily arise from the purchase and sale of products in foreign currency. Exchange and interest rates impact Probi's earnings and cash flows. The company is also exposed to liquidity risks and to credit and counterparty risks.	The company's financial policy is established by the board and contains guidelines for the management of various types of financial risk exposure. The corporate finance function in the Group is responsible for identifying and effectively limiting the Group's financial risks. For more detailed information, refer to Note 3.
<b>Pandemics</b>	A pandemic can affect the demand for Probi's products both positively and negatively depending on the nature of the pandemic. In the event of a pandemic, the supply of goods can also be affected as Probi is to some extent dependent on external suppliers from other countries. The sales channels that are dependent on physical meetings can also be negatively affected, while online sales, for example, can see a positive effect. If many employees become ill at the same time, there is a risk that the business may be adversely affected.	See risk management for changing consumer trends and supply of goods. With its own production, Probi can quickly develop a concept and deliver a finished consumer packaging according to the customer's changing needs. To ensure the safety of employees, the organization has technical solutions to guarantee office employees can do their job without physical meetings. The production facilities have strict routines regarding protective equipment, safety and keeping a physical distance.
<b>Sustainability risks</b>	For sustainability risks, see page 32, 34-35, 38.	For sustainability risk management, see page 32, 34-35, 38.

### Research and development

During 2022, Probi's research program generated promising results, which improved the company's product offerings and favored the launch of products in various health areas. Clinical studies completed during the year are expected to make further contributions to what remains a solid and innovative product portfolio. Total expenses for research and development amounted to SEK 41.4 m (39.9), of which SEK 3.1 m (2.8) related to capitalized project costs.

During the year, a study was carried out in mental health. The study, which was exploratory, focused on various mentally related symptoms. Over 130 participants took part in the placebo-controlled study where the perceived health effects of HEAL9® were investigated. The preliminary results have been positive and the full study will be published in 2023. Mental health spans several areas such as stress, sleep and cognitive abilities. For several years, Probi has conducted research into the connection between the gastrointestinal microbiota and mental health ("gut-brain").

A study in bone health has shown that Probi® Osteo is also effective for aging men and counteracts the loss of bone mass with increasing age. Cartilage damage to the knee was significantly reduced by supplementation of Probi® Osteo, while bone mass and bone thickness increased in the probiotic experimental group.

A research partnership in oral health with Blis Technologies was started during the year.

### Employees

At the end of the year, Probi had 154 (175) employees, of which 52% (50) were women. The average number of employees during the year was 168 (178).

### Events after the balance sheet date

No significant events have occurred after the balance sheet date.

### Future development

The basis of Probi's operations is conducting research and development, obtaining patents and documenting probiotic bacteria and developing and producing ready-made probiotic consumer products. The company's long-term objective is to continue the creation of profitable growth by expanding and developing sales on the global product market. The global market for probiotics is expected to continue growing in the coming years. In view of this, Probi's assessment is that the conditions are in place for continued growth and that both earnings and cash flow from operating activities will be positive in the coming year.

### Guidelines for remuneration to senior executives

In accordance with the Swedish Companies Act, the Annual General Meeting shall decide on guidelines for remuneration to the CEO and other senior executives. At the Annual General Meeting on May 13, 2020, new guidelines were established. No deviations from these guidelines have been made. The guidelines are expected to contribute to the implementation of the strategy, including Probi's long-term interests and sustainability, by enabling Probi to offer market-based and competitive total remuneration to recruit and retain senior executives and by making it easier for senior executives to perform their duties. With regard to employment conditions that are subject to regulations other than Swedish, appropriate adjustments may be made to comply with such mandatory rules or fixed local practice, whereby the overall purpose of these guidelines shall be met as far as possible.

The total remuneration to senior executives must be market-based and competitive and may consist of a fixed cash salary (basic salary), variable cash salary (bonus), pension and other

benefits, as well as additional cash remuneration in certain extraordinary circumstances. In addition, and independently of these guidelines, the Annual General Meeting may decide on, for example, long-term share and share price-related incentive schemes.

The fixed cash salary (basic salary) must take into account the employee's potential, areas of responsibility and experience.

The annual variable cash salary for the CEO may amount to a maximum of 60% of the fixed annual salary, and for other senior executives the variable cash salary may amount to a maximum of 50% of the fixed annual salary. For senior executives employed in the American organization, the annual variable cash salary may amount to a maximum of 100% of the fixed annual salary. Annual variable cash salary shall depend on the senior executive's fulfillment of predetermined quantitative and qualitative targets. The goals may be financial by, for example, relating to results or net sales and non-financial by, for example, relating to how the individual contributes to Probi's diversity work and the maintenance and building of Probi's culture. The goals must include aiming to ensure a long-term commitment to the company's development, whereby they are expected to contribute to the fulfillment of Probi's business strategy, long-term interests and sustainability. Fulfillment of the criteria for payment of an annual variable cash salary shall be measured on an annual basis.

In addition to a fixed cash salary and the annual variable cash remuneration, senior executives and other selected key personnel (up to ten people) may receive a variable long-term cash bonus (LTI bonus) each year. This LTI bonus will reward growth in earnings per share during the year in question, which is also the performance year (year 1). The amount initially allocated shall be based on the fulfillment of performance targets and shall amount to a maximum of 7.5-37.5% of the annual salary during the year in question for each participant, depending on their position. The initially allotted amount shall be earned during the following three years (years 2-4) and shall thereafter be indexed upon payment in relation to the share price trend during the earning period, i.e. if the share price has risen by 25%, during the allocated period, the initially allotted amount upon payment of the LTI bonus shall be increased by 25%. If the share price has fallen by more than 33%, during the allocated period there must be a guaranteed minimum of 67% of the initially allotted amount. If the share price has increased by more than 50% during the allocated period, the LTI bonus paid out shall be maximized to 150% of the initially allotted amount. If the initially allocated amount amounts to a maximum of 37.5% of the annual salary and the share price trend during the allocated period amounts to more than 50%, the maximum payment for each individual LTI bonus would amount to 56.25% of the annual salary during the implementation year. Payment of the LTI bonus is conditional on continued employment at the end of the allocated period (with certain regular exceptions). The costs of the LTI bonus are the usual staff costs related to cash remuneration. At the end of the financial year, no senior executives or other key personnel had been included in the LTI scheme.

Additional cash remuneration may be paid in exceptional circumstances, provided that such extraordinary arrangements are time-limited and are only made at an individual level either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary work in addition to the person's ordinary duties. Such remuneration may not exceed an amount corresponding to 30% of the fixed annual salary and must not be paid more than once a year and per individual. Decisions on such remuneration shall be made by the Board.

For senior executives, pension benefits, including health insurance, must be contribution-based. The variable cash salary must be pensionable. The pension premiums for defined contri-

bution pensions shall follow the ITP1 plan and amount to a maximum of 4.5% of the pensionable income up to 7.5 income base amounts, and a maximum of 30% on excess salary components. In addition, according to applicable collective agreements, part of the senior executives' pensionable income can be set aside as a supplement to the senior executive's contractual pension (part-time pension premium).

Other benefits may include life insurance, health insurance and car benefits, and shall be payable to the extent that this is deemed to be market-based for senior executives in corresponding positions in the labor market where the executive is active. Such benefits may amount in total to a maximum of 10% of the fixed annual salary.

Senior executives must be employed until further notice. In the event of termination by the company, the notice period may be a maximum of twelve months for the CEO and a maximum of nine months for other senior executives. Fixed basic salary during the notice period and severance pay may not exceed an amount corresponding to the fixed basic salary for 18 months. In the event of termination by the executive, the notice period may not exceed six months, without the right to severance pay. In addition, remuneration may be paid for any commitments made to restrict competition. Such remuneration shall compensate for any loss of income and shall only be paid in the event that the former executive does not receive severance pay. The remuneration shall amount to a maximum of 60% of the fixed basic salary at the time of termination, unless otherwise provided by mandatory collective agreement provisions, and shall be paid during the period of the undertaking to restrict competition, which shall not exceed twelve months after termination of employment.

The Board shall have the right to deviate from the guidelines if the Board deems that in an individual case there are special reasons that justify it and a deviation is necessary to meet Probi's long-term interests, including its sustainability, or to ensure Probi's financial viability. It is the task of the remuneration committee to prepare documentation for the Board's decisions on remuneration issues, which includes decisions on deviations from the guidelines.

### Sustainability reporting

In accordance with The Swedish Annual Accounts Act, Chapter 6, Section 11, Probi has chosen to prepare the statutory sustainability report as a separate report from the annual report. The sustainability report can be found on pages 28-41.

### Ownership structure and share capital

Probi's shares have been listed on Nasdaq Stockholm since 2004. Since January 1, 2017, Probi has been part of the Nordic Mid Cap segment, comprising companies with a market capitalization ranging from EUR 150 m to EUR 1 bn. On December 31, 2021, Probi had 3,767 (4,220) shareholders according to Euroclear Sweden AB. On that date, Probi had two owners with shareholdings representing at least one-tenth of the votes for all shares in the company: Symrise AG, Germany, and Swedbank Robur Funds, Sweden, with 60.3% and 11.0% of the votes, respectively. At the end of 2021, Probi's share capital amounted to SEK 58,220,625 (58,220,625), distributed among 11,394,125 shares (11,644,125). All shares are of the same class and carry one vote and equal rights to the company's assets and earnings. The Articles of Association contain no restrictions on the transferability of the shares.

### Proposed allocation of profit in the Parent Company

The following profits in the Parent Company are at the disposal of the Annual General Meeting (SEK):

Profit brought forward	543,200,113
Share premium reserve	579,064,772
Profit for the year	75,294,580
<b>Total</b>	<b>1,197,559,465</b>

Based on an assessment of Probi's business operations and strategic investment decisions in 2022, the Board of Directors propose that the 2023 Annual General Meeting resolves that a dividend of SEK 1.30 per share, or a total of SEK 14,812,362, be paid for the 2022 financial year and that retained earnings totaling SEK 1,182,747,102 be brought forward in a new account.

# Corporate governance report

Probi AB (publ) is a Swedish limited liability company whose shares have been listed on Nasdaq 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 (AGM), Articles of Association, listing agreement, the Swedish Code of Corporate Governance (the "Code") and work by the Board of Directors and Executive Management. For more information about the contents of the Code, refer to [www.bolagsstyrrningskollegiet.se](http://www.bolagsstyrrningskollegiet.se).

This Corporate Governance Report refers to the 2022 financial year and has been prepared in accordance with the Swedish Annual Accounts Act and the Code's regulations. Probi's Articles of Association and additional information about Probi's Corporate Governance are available at [www.probi.com](http://www.probi.com), under 'Investor Relations'.

## 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.

## Annual General Meeting

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

The Annual General Meeting was held in Lund on May 5, 2022. The Board of Directors, auditors and Nomination Committee were elected at the AGM. The Board of Directors was authorized during the period prior to the 2021 AGM, on one or more occasions, to:

- make decisions regarding a new rights issue of up to a total of 1,165,000 shares. This authorization includes the right to resolve to disapply the shareholders' pre-emptive rights and that payment is to be made in cash, in kind, or offsetting debt. When disapplying the shareholders' pre-emptive rights, the issue price is to be set on normal market terms. The authorization corresponded to approx. 10% of the share capital and the number of votes at the time of the decision. The Board did not exercise this authorization during 2022.

Minutes from the 2022 AGM are available at [www.probi.com](http://www.probi.com) under 'Investor Relations'.

## Nomination Committee

The Nomination Committee is elected at the AGM and its principal tasks are to:

- evaluate the Board's composition and duties
- prepare proposals to the AGM for the election of Board members and Chairman of the Board and their remuneration
- prepare proposals for the AGM for the election of auditors and their remuneration

On May 5, 2022, the AGM resolved that the Nomination Committee should consist of four owner representatives. Heinz-Jürgen Bertram (CEO Symrise AG) (convenor), Bengt Jeppsson (Professor at the Department of Surgery at Lund University), Monica Åsmyr (Swedbank Robur Fonder) and Marianne Flink (Fjärde AP-fonden) were re-elected as members of the Nomination Committee. The Nomination Committee's proposals are presented in conjunction with the official notification of the AGM. Shareholders who wish to contact the Nomination Committee can do so in accordance with the information provided on Probi's website: [www.probi.com](http://www.probi.com) under 'Investor Relations'.

## The Board of Directors

According to Probi's Articles of Association, the Board is to consist of no fewer than three and no more than seven members, with no more than three deputies, and be elected at the AGM. The company's Articles of Association lack specific stipulations concerning the appointment and dismissal of Board Members and concerning amendments to the Articles of Association. On May 5, 2022, the AGM resolved to elect a Board consisting of five ordinary members with no deputies. In accordance with the Nomination Committee's proposal, the Meeting resolved on the re-election of Board Members Jean-Yves Parisot, Jörn Andreas, Charlotte Hansson and Irène Corthésy Malnoë and Malin Ruijsenaars. Jean-Yves Parisot was re-elected Chairman of the Board. A presentation of the Board Members is available on the company's website [www.probi.com](http://www.probi.com) and on pages 88-89.

The AGM resolves on principles and monetary limits for Board fees. For 2022, the Board's fees were fixed at SEK 1,840,000 of which SEK 540,000 for the Chairman of the Board and SEK 270,000 for each of the other four Board members. A resolution was also made concerning remuneration for work on committees. The Chairman of the Audit Committee is to receive SEK 120,000 and each member SEK 50,000. The Chairman of the Remuneration Committee is to receive SEK 30,000 and each member SEK 20,000.

For information regarding Board fees, see Notes 10.

## CEO

A presentation of the CEO is available on the company's website [www.probi.com](http://www.probi.com) and on page 90.

## Auditors

The 2022 AGM elected the registered accounting firm Ernst & Young AB with Authorized Public Accountant Peter Gunnarsson as auditor-in-charge for the period up to the 2023 AGM.

## The Board's work and rules of procedure

The Board is ultimately responsible for Probi's organization and the administration of the company's affairs. The Board decides whether to appoint or dismiss the CEO, and on major organizational and operational changes. The Board's duties also include evaluating and determining strategies, business plans and budgets. The Board also adopts quarterly reports, year-end reports and annual reports.

Every year, the Board evaluates the CEO's performance in relation to the identified long and short-term objectives. In conjunction with this, the CEO's objectives for the coming financial year are set. No representative from executive management participated in this evaluation.

The Board annually prepares a procedure regulating the division of work and responsibilities between the Board, Chairman and CEO. The work procedure also defines the spheres of responsibility of the Audit and Remuneration Committees. This work procedure is adopted at the Board's statutory meeting, which is held in conjunction with the AGM.

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 do not contravene the regulations regarding conflicts of interest stipulated by the Companies Act. The Board annually establishes instructions for the CEO. These include guidelines for the ongoing administration, accounting and asset management and internal control of the company. These instructions also cover the CEO's authorizations and disclosure requirements towards the Board.

The Board is to convene no fewer than four scheduled Board meetings distributed equally during the year and hold one statutory meeting. In addition to regular items, the scheduled Board meetings in 2022 focused primarily on strategic and structural issues involving Probi's long-term development and growth. The Board of Directors also held a further seven minuted meetings in 2022. These meetings addressed matters relating to such items as strategic investment decisions, negotiations of commercial agreements and the adoption of quarterly and year-end reports.

## Audit Committee

The task of the Audit Committee is to assist the Board of Directors in its fulfilment of the Board's supervisory obligations in terms of internal control, audits, any internal audits, risk management, accounting and financial reporting, and to prepare matters involving the procurement of audit and other services as well as preparing certain accounting and audit matters that are to be addressed by the Board. The sphere of responsibility of the Audit Committee is defined in the Board of Directors' work procedure and in the instructions for the Audit Committee. The Audit Committee maintains continuous contact with the company's auditors, who personally report their findings and observations at least twice annually. The auditors also provide information on the priority areas that future audits are to examine, while the Audit Committee informs the auditors about issues or areas that it wishes them to specifically highlight.

Charlotte Hansson was appointed Chair of the Audit Committee and Jörn Andreas was appointed a member of the Committee. The company's auditor and CFO regularly attend the Audit Committee's meetings.

## Remuneration Committee

The task of the Remuneration Committee is to assist the Board of Directors by providing proposals concerning remuneration issues and regularly monitoring and evaluating remuneration structures and remuneration levels for the CEO and other members of the company's executive management. The Committee's work also includes providing proposals concerning policies for remuneration and other terms and conditions of employment for the CEO and senior executives that are to be resolved by the AGM. The sphere of responsibility of the Remuneration Committee is defined in the Board of Directors' work procedure and in the instructions for the Remuneration Committee. For information regarding salaries and remuneration of the CEO and other senior executives, see Note 10. Jean-Yves Parisot was appointed Chairman and Malin Ruijsenaars a member of the Remuneration Committee.

## BOARD MEMBERS' MEETING ATTENDANCE IN 2022

Name	Year elected	Independent the company	Independent of major shareholders	Attendance at Board meetings	Attendance at Audit Committee meetings	Attendance at Remuneration Committee meetings
Jean-Yves Parisot	2015	Yes	No	11/11		1/1
Charlotte Hansson	2017	Yes	Yes	11/11	8/8	
Irène Corthésy Malnoë	2018	Yes	Yes	11/11		
Jörn Andreas	2019	Yes	No	11/11	7/8	
Malin Ruijsenaars	2020	Yes	Yes	11/11		1/1

**The Board's internal control report**

According to the Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the internal control of financial reporting. This report is limited to the internal control of financial reporting.

Authorization and responsibility are documented and recognized in internal guidelines and instructions. These encompass matters such as the division of responsibilities among the Board, the Audit Committee, the Remuneration Committee and the CEO, accounting and reporting instructions and attestation instructions for the Parent Company. The purpose of the instructions in these documents is to provide reasonable assurance regarding the quality and reliability of the company's external financial reporting and to minimize 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 financial reporting. The CEO is responsible for preparing and presenting reports at each Board meeting, with the following principal content for the period in question:

- Sales and market development and status of R&D projects.
- Balance sheet, income statements and
- cash flow statements.
- Investments and tied-up capital.
- Key ratios.
- Forecasts for current quarters and full-year.

The CEO must also, in accordance with the established time schedule, submit a financial report to the Board members.

**Quality of the financial reporting**

The Board is responsible for ensuring the quality of the company's financial reporting. The information submitted by executive management is continuously evaluated by the Board and the Audit Committee. In this work, it is essential to ensure that actions are taken concerning potential shortcomings that are detected and that the adopted quality improvements are implemented. The Audit Committee accounts for this work concerning contact with the company's auditor. Considering the size and risk exposure of the company, and the follow-up and control procedures, it has not been deemed warranted to establish a specific internal audit function. Each year, the question of establishing a specific internal audit function is to be addressed by the Board.

**Information and communication**

The Board has adopted a communication policy that specifies procedures and systems designed to ensure that Probi provides the market with relevant, reliable, correct and current information concerning the company's development and financial position.

# Financial statements

## Consolidated statement of comprehensive income

Currency: SEK 000s	Note	2022	2021
<b>Net sales</b>	6, 7	<b>618,285</b>	<b>658,180</b>
<b>Operating expenses</b>			
Cost of goods sold	8, 10, 11, 30	-362,840	-370,173
<b>Gross profit</b>	6	<b>255,445</b>	<b>288,007</b>
Sales and marketing expenses	8, 10, 11	-100,936	-88,931
Research and development expenses	8, 10, 11	-38,348	-37,082
Administrative expenses	8, 9, 10, 11	-65,909	-54,443
Other operating income		322	1,692
<b>Operating profit/EBIT</b>		<b>50,574</b>	<b>109,243</b>
Financial income		1,705	154
Financial expenses	11	-2,492	-1,882
Exchange-rate gain/loss from financing activities		2,187	-76
<b>Financial result</b>	12	<b>1,400</b>	<b>-1,804</b>
<b>Earnings before income taxes</b>		<b>51,974</b>	<b>107,439</b>
Income taxes	13	-11,352	-24,294
<b>Net income (attributable in its entirety to Parent Company shareholders)</b>		<b>40,622</b>	<b>83,145</b>
<b>Other comprehensive income</b>			
Components that will be reclassified to net income			
Exchange rate difference resulting from the translation of foreign operations		139,908	87,448
Cash flow hedge		-	-
Income taxes payable on these components		-	-
<b>Total components that will be reclassified to net income</b>		<b>139,908</b>	<b>87,448</b>
Components not to be reclassified to net income			
Equity instruments at fair value through OCI		-20,691	-7,721
<b>Total components not to be reclassified to net income</b>		<b>-20,691</b>	<b>-7,721</b>
<b>Total other comprehensive income</b>		<b>119,217</b>	<b>79,727</b>
<b>Total comprehensive income for the year</b>		<b>159,839</b>	<b>162,872</b>
Earnings per share before and after dilution, SEK		3,57	7,30

## Consolidated statement of financial position

**ASSETS**

Currency: SEK 000s	Note	2022	2021
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalized development costs	14	24,782	32,096
Customer base	15	248,452	239,887
Technology and other intangible assets	16	109,251	108,138
Goodwill	17	353,887	307,011
Activated customer remuneration	18	-	3,274
<b>Total intangible assets</b>		<b>736,372</b>	<b>690,406</b>
<b>Tangible assets</b>			
Buildings and land	19	19,934	7,002
Plant and machinery	20	64,606	38,899
Equipment, tools, fixtures and fittings	21	8,999	7,306
Work in progress	22	53,267	38,732
Right-of-use assets	11	65,546	74,739
<b>Total tangible assets</b>		<b>212,352</b>	<b>166,678</b>
<b>Financial assets</b>			
Interests in other entities	24, 26	80,510	101,201
Deferred tax assets	13	357	301
<b>Total financial assets</b>		<b>80,867</b>	<b>101,502</b>
<b>Total non-current assets</b>		<b>1,029,591</b>	<b>958,586</b>
<b>Current assets</b>			
Inventories	25	116,245	93,822
<b>Current receivables</b>			
Trade receivables	26, 27	89,295	119,060
Tax receivables		781	-
Other current receivables	26, 30	3,941	3,705
Prepaid expenses and accrued income	28	6,329	5,979
<b>Total current receivables</b>		<b>100,346</b>	<b>128,744</b>
Cash and cash equivalents	26	323,706	251,017
<b>Total current assets</b>		<b>540,297</b>	<b>473,583</b>
<b>Total assets</b>		<b>1,569,888</b>	<b>1,432,169</b>

## Shareholders' equity and liabilities

Currency: SEK 000s	Note	2022	2021
<b>Equity</b>			
Share capital		58,221	58,221
Other contributions received		600,205	600,205
Cumulative translation differences and other reserves		140,909	21,693
Accumulated profit including net income for the year		611,232	585,422
<b>Total equity</b>		<b>1,410,567</b>	<b>1,265,541</b>
<b>Provisions</b>			
Deferred tax liabilities	13	13,833	13,359
<b>Total provisions</b>		<b>13,833</b>	<b>13,359</b>
<b>Non-current liabilities</b>			
Lease liabilities	11, 26	53,601	62,733
Other non-current liabilities		5,480	4,748
<b>Total non-current liabilities</b>		<b>59,081</b>	<b>67,481</b>
<b>Current liabilities</b>			
Trade payables	26	34,424	46,244
Tax liabilities		114	1,612
Lease liabilities	11, 26	16,667	14,856
Other current liabilities	26, 30	5,052	4,496
Accrued expenses and deferred income	29	30,150	18,580
<b>Total current liabilities</b>		<b>86,407</b>	<b>85,788</b>
<b>Total equity and liabilities</b>		<b>1,569,888</b>	<b>1,432,169</b>

## Consolidated statement of cash flows

Currency: SEK 000s	Note	2022	2021
<b>Net income</b>		40,622	83,145
Adjustments to reconcile net income with cash provided from operating activities			
Income taxes		11,352	24,294
Interest result		714	1,612
Amortization, depreciation and impairment of non-current assets		85,682	73,285
Other non-cash expenses and income		4,036	2,274
<b>Cash flow before working capital changes</b>		<b>142,406</b>	<b>184,610</b>
Changes in trade receivables and other current assets		42,091	-24,653
Change in inventories		-8,936	13,300
Changes in trade payables and other current liabilities		-4,400	-4,561
Income taxes paid		-15,067	-14,501
<b>Cash flow from operating activities</b>		<b>156,094</b>	<b>154,195</b>
<b>Investing activities</b>			
Payments for investing in intangible assets	14, 15, 16, 17, 18	-12,180	-7,416
Payments for investing in interests in other entities	24	-	-55,891
Payments for investing in property, plant and equipment	19, 20, 21, 22	-52,429	-35,147
Divestment of property, plant and equipment	21	20	973
<b>Cash flow from investing activities</b>		<b>-64,589</b>	<b>-97,481</b>
<b>Financing activities</b>			
Interest paid		-2,458	-3,190
Interest received		1,705	154
Lease commitments paid		-13,743	-12,418
Dividends paid		-14,812	-12,534
<b>Cash flow from financing activities</b>		<b>-29,308</b>	<b>-27,988</b>
<b>Net change in cash and cash equivalents</b>		<b>62,197</b>	<b>28,726</b>
Effects of changes in exchange rates		10,492	6,739
<b>Total changes</b>		<b>72,689</b>	<b>35,465</b>
Cash and cash equivalents, 1 January		251,017	215,552
Cash and cash equivalents, 31 December		323,706	251,017

## Consolidated statement of changes in shareholders' equity

Currency: SEK 000s	Share capital	Other contributions received	Cumulative translation differences	Fair value reserve	Accumulated profit	Total equity
<b>Opening balance. 1 Jan 2021</b>	<b>58,221</b>	<b>600,205</b>	<b>-58,034</b>	<b>-</b>	<b>514,811</b>	<b>1,115,203</b>
Net income	-	-	-	-	83,145	83,145
Other comprehensive income	-	-	87,448	-7,721	-	79,727
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>87,448</b>	<b>-7,721</b>	<b>83,145</b>	<b>162,872</b>
Dividends	-	-	-	-	-12,534	-12,534
Withdrawal of own shares	-1,250	-	-	-	1,250	-
Bonus issue	1,250	-	-	-	-1,250	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-12,534</b>	<b>-12,534</b>
<b>Closing balance. 31 Dec 2021</b>	<b>58,221</b>	<b>600,205</b>	<b>29,414</b>	<b>-7,721</b>	<b>585,422</b>	<b>1,265,541</b>
<b>Opening balance. 1 Jan 2022</b>	<b>58,221</b>	<b>600,205</b>	<b>29,414</b>	<b>-7,721</b>	<b>585,422</b>	<b>1,265,541</b>
Net income	-	-	-	-	40,622	40,622
Other comprehensive income	-	-	139,908	-20,691	-	119,217
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>139,908</b>	<b>-20,691</b>	<b>-</b>	<b>119,217</b>
Dividends paid	-	-	-	-	-14,812	-14,812
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-14,812</b>	<b>-14,812</b>
<b>Closing balance. 31 Dec 2022</b>	<b>58,221</b>	<b>600,205</b>	<b>169,322</b>	<b>-28,412</b>	<b>611,232</b>	<b>1,410,567</b>

## Parent Company's income statement

Currency: SEK 000s	Note	2022	2021
Net sales	7	263,303	276,027
Other revenue	7	13,599	9,337
<b>Total operating revenue</b>	7	<b>276,902</b>	<b>285,364</b>
Cost of goods sold	8, 10, 11, 30	-79,694	-84,514
<b>Gross profit</b>		<b>197,208</b>	<b>200,850</b>
Sales and marketing expenses	8, 10, 11	-49,610	-46,817
Research and development expenses	8, 10, 11	-38,139	-37,094
Administrative expenses	8, 9, 10, 11	-52,895	-41,542
<b>Operating profit</b>		<b>56,564</b>	<b>75,397</b>
Profit from participations in group companies		49,944	42,364
Other interest income and similar profit items		5,305	1,486
Revaluation of participations in other companies		-20,691	-7,722
Interest expense and similar profit items		-2,990	-1,527
<b>Financial result</b>	12	<b>31,568</b>	<b>34,601</b>
<b>Earnings before income taxes</b>		<b>88,132</b>	<b>109,998</b>
Income taxes	13	-12,838	-15,756
<b>Net income</b>		<b>75,294</b>	<b>94,242</b>

## Other comprehensive income

Currency: SEK 000s		2022	2021
Net income		75,294	94,242
Components to be reclassified to net income			
Cash flow hedge		-	-
Income taxes payable on these components		-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>75,294</b>	<b>94,242</b>

## Parent Company's balance sheet

### ASSETS

Currency: SEK 000s	Note	2022	2021
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalized development costs	14	24,782	32,096
Technology and other intangible assets	16	18,855	17,410
Activated customer remuneration	18	-	3,274
<b>Total intangible assets</b>		<b>43,637</b>	<b>52,780</b>
<b>Tangible assets</b>			
Buildings and land	19	5,239	-
Property, plant and equipment	21	7,470	6,146
<b>Total tangible assets</b>		<b>12,709</b>	<b>6,146</b>
<b>Financial assets</b>			
Participations in Group companies	23	905,289	905,289
Interests in other entities	24, 26	80,510	101,201
Deferred tax assets		219	219
<b>Total financial assets</b>		<b>986,018</b>	<b>1,006,709</b>
<b>Total non-current assets</b>		<b>1,042,364</b>	<b>1,065,635</b>
<b>Current assets</b>			
Inventories	25	8,446	7,989
<b>Current receivables</b>			
Trade receivables	26, 27	26,713	30,541
Tax receivables		611	-
Other assets and receivables	26, 30	1,323	2,554
Prepaid expenses and accrued income	28	4,702	5,299
<b>Total current receivables</b>		<b>33,349</b>	<b>38,394</b>
Cash and cash equivalents	26	258,185	167,830
<b>Total current assets</b>		<b>299,980</b>	<b>214,213</b>
<b>Total assets</b>		<b>1,342,344</b>	<b>1,279,848</b>



## Parent Company's balance sheet, cont.

## SHAREHOLDERS' EQUITY AND LIABILITIES

Currency: SEK 000s	Note	2022	2021
<b>Restricted equity</b>			
Share capital (no. of shares: 11.394.125)		58,221	58,221
Statutory reserve		21,140	21,140
Reserve for capitalized development costs		23,611	28,804
<b>Total restricted equity</b>		<b>102,972</b>	<b>108,165</b>
<b>Non-restricted equity</b>			
Share premium reserve		579,065	579,065
Accumulated profit		543,200	458,578
Net income		75,294	94,242
<b>Total non-restricted equity</b>		<b>1,197,559</b>	<b>1,131,885</b>
<b>Total equity</b>		<b>1,300,531</b>	<b>1,240,050</b>
<b>Current liabilities</b>			
Trade payables	26	18,670	26,046
Short-term payable. Group companies		1,128	1,002
Tax liabilities		-	1,534
Other current liabilities	26, 30	3,503	3,995
Accrued expenses and deferred income	29	18,512	7,221
<b>Total current liabilities</b>		<b>41,813</b>	<b>39,798</b>
<b>Total equity and liabilities</b>		<b>1,342,344</b>	<b>1,279,848</b>

## Parent Company's cash flow statement

Currency: SEK 000s	Note	2022	2021
<b>Net income</b>		<b>75,295</b>	<b>94,242</b>
Adjustments to reconcile net income with cash provided from operating activities			
Income taxes		12,838	15,756
Interest result		-846	-35
Amortization, depreciation and impairment of non-current assets		16,094	15,035
Other non-cash expenses and income		24,668	10,991
<b>Cash flow from operating activities before working capital changes</b>		<b>128,049</b>	<b>135,989</b>
Changes in trade receivables and other current assets			
		5,772	-13,352
Change in inventories			
		-458	-27
Changes in trade payables and other current liabilities			
		3,433	3,222
Income taxes paid			
		-14,983	-14,471
<b>Cash flow from operating activities</b>		<b>121,813</b>	<b>111,361</b>
<b>Investing activities</b>			
Payments for investing in intangible assets	14, 16, 18	-8,786	-7,415
Payments for investing in property, plant and equipment	19, 21	-8,726	-5,619
Payments for investing in financial assets	24, 26	-	-55,891
Divestment of property, plant and equipment	21	20	-
<b>Cash flow from investing activities</b>		<b>-17,492</b>	<b>-68,925</b>
<b>Financing activities</b>			
Interest paid		-83	-119
Interest received		929	154
Dividends paid		-14,812	-12,534
<b>Cash flow from financing activities</b>		<b>-13,966</b>	<b>-12,499</b>
<b>Total changes</b>		<b>90,355</b>	<b>29,937</b>
Cash and cash equivalents. 1 January			
		167,830	137,893
Cash and cash equivalents. 31 December			
		258,185	167,830

## Parent Company's statement of changes in shareholders' equity

Currency: SEK 000s	Share	Statutory	Reserve for capitalized development expenses	Share premium reserve	Accumulated profit	Total equity
<b>Opening balance, 1 Jan 2021</b>	<b>58,221</b>	<b>21,140</b>	<b>33,406</b>	<b>579,065</b>	<b>466,509</b>	<b>1,158,341</b>
Net income	-	-	-	-	94,242	94,242
Other comprehensive income <sup>1</sup>	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,242</b>	<b>94,242</b>
Reserve for capitalized development costs	-	-	-4,602	-	4,602	-
<b>Total transfer between categories in equity</b>	<b>-</b>	<b>-</b>	<b>-4,602</b>	<b>-</b>	<b>4,602</b>	<b>-</b>
Dividends	-	-	-	-	-12,533	-12,533
Withdrawal of own shares	-1,250	-	-	-	1,250	-
Bonus issue	1,250	-	-	-	-1,250	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-12,533</b>	<b>-12,533</b>
<b>Closing balance, 31 Dec 2021</b>	<b>58,221</b>	<b>21,140</b>	<b>28,804</b>	<b>579,065</b>	<b>552,820</b>	<b>1,240,050</b>
<b>Opening balance, 1 Jan 2022</b>	<b>58,221</b>	<b>21,140</b>	<b>28,804</b>	<b>579,065</b>	<b>552,820</b>	<b>1,240,050</b>
Net income	-	-	-	-	75,294	75,294
Other comprehensive income <sup>1</sup>	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,294</b>	<b>75,294</b>
Reserve for capitalized development costs	-	-	-5,193	-	5,193	-
<b>Total transfer between categories in equity</b>	<b>-</b>	<b>-</b>	<b>-5,193</b>	<b>-</b>	<b>5,193</b>	<b>-</b>
Dividends	-	-	-	-	-14,813	-14,813
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-14,813</b>	<b>-14,813</b>
<b>Closing balance, 31 Dec 2022</b>	<b>58,221</b>	<b>21,140</b>	<b>23,611</b>	<b>579,065</b>	<b>618,494</b>	<b>1,300,531</b>

# Notes

## Note 1. General information

Probi Aktiebolag (publ) with its registered office in Lund, Sweden, was founded in 1991. Today, Probi is one of the largest and leading probiotic companies in the world, with a total of four locations in the US, Sweden and Singapore. Probi has a strong, expansive product portfolio, focused primarily in the areas of gastrointestinal health and immune defense. Probi carries out in-house fermentation, formulation and production, which take place in GMP-certified facilities. Probi develops, manufactures, markets and sells probiotics in the form of e.g. powders, capsules, tablets and beverages in close collaboration with leading healthcare, pharmaceutical and food companies. Probi is a global leader in innovation and development and invests substantial resources in commercially based and structured research and development. All projects are informed by the needs of the customers. In recent years, Probi has presented a number of studies with findings that are vital to Probi's future development. Probi has over 400 patents.

The Group comprises the Parent Company, Probi AB, and two subsidiaries: Probi Asia-Pacific Pte. Ltd. and Probi USA Inc. In turn, Probi AB is a subsidiary of Symrise AG, Corp. Reg. No. HRB 200436, with its registered office in Holzminden, Germany. Consolidated financial statements for Symrise AG are available at [www.symrise.com](http://www.symrise.com).

Probi AB's shares are listed on Nasdaq Stockholm, Mid Cap. At the end of the reporting period, the number of shares outstanding was 11,394,125 (11,394,125). The average number of shares outstanding was 11,394,125 (11,394,125). The company has no outstanding convertible loans or warrants, so dilution does not occur.

The annual report and consolidated financial statements have been approved for publication by the board on 30 March 2023 and will be submitted to the annual general meeting on 4 May 2023.

## Note 2. Accounting and measurement policies

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, "RFR 1, Supplementary accounting regulations for Groups" and International Financial Reporting Standards (IFRS) approved for use within EU.

The preparation of financial statements in accordance with IFRS requires the use of a number of important assessments and estimations for accounting purposes. Furthermore, management is required to make certain estimates when applying the Group's accounting policies. Areas requiring a high degree of assessment, that are complex or in which assumptions and estimates are of significant importance for the consolidated financial statements are specified in Note 4.

### New and revised standards

For the 2022 financial year, no new standards came into effect that affected the company's accounts.

### New and revised standards and interpretations not yet effective

No new or revised standards have been identified that will affect the company's accounts.

### 2.1 Basis of preparation of the consolidated financial statements

The Parent Company's functional currency is the Swedish krona (SEK) which is also the reporting currency for both the Parent Company and the Group.

All amounts stated have been rounded to the nearest thousand kronor, unless otherwise stated. The valuation basis is the cost, unless otherwise stated.

The most important accounting policies applied during the preparation of these consolidated financial statements are stipulated below. These policies have been applied consistently for all years presented, unless otherwise indicated.

The Parent Company applies the same accounting policies as the Group, with the exceptions of IFRS 16 Leases and supplements stipulated in RFR 2 Accounting for legal entities. The accounting policies for the Parent Company are stipulated in section 2.16 "The Parent Company's accounting policies".

### 2.2 Consolidated financial statements

The consolidated financial statements include the financial statements of the Parent Company and those of all subsidiaries. All companies over which the Group obtained control, according to the requirements of IFRS 10, are fully consolidated as subsidiaries. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases.

Balance sheets of foreign subsidiaries are measured at the exchange rate on the closing day and income statements at the average exchange rate. Exchange rates are obtained from the Swedish Riksbank.

### 2.3 Segment reporting

The Management Group has analyzed the Group's internal reporting and determined that the Group's operations are controlled and evaluated according to a geographic distribution consisting of the regions Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia and Pacific).

All segments sell probiotics to pharmaceutical and health-care companies as well as customers specialized in probiotics and self-care products. Revenue is derived from sales of goods ranging from raw materials in bulk to finished products in consumer packaging. In addition, food products are developed which contain Probi's probiotics, in partnership with leading food companies. Revenues come from sales of goods and through royalties. Probi has two manufacturing facilities in the Americas: a fermentation facility in Redmond, Washington, and a production and packaging facility in Lafayette, Colorado.

Sales and gross profits are recognized for these segments, and monitored on a regular basis by the CEO (the highest-ranking decision maker) together with management. The segments' assets are not monitored against the company's total assets. For further information about segment reporting, see Note 6.

### 2.4 Net sales

Probi's net sales comprise revenue from sales of own products and royalty revenue from business partners who conduct licensed sales of goods containing Probi's products. Probi recognizes revenue when the performance obligation has been met for each of the company's operations, as described per revenue category below. The performance obligation is the actual goods or royalty, and revenue is recognized in the period when it was provided. Probi's payment terms range from advance payments up to 90 days' credit, depending on delivery-specific factors. For further information about the Group's allocation of revenue, see Note 7.

- Income from goods sold: Income from goods sold is recognized at the point in time when the goods are transferred to the customer, in accordance with the agreed delivery terms. Any customer discounts reduce the income in the corresponding period.
- Royalty revenue: Royalty revenue is related to product distribution in a distinct market. These agreements constitute obligations over a period of time and revenue is recognized as the performance obligations are fulfilled. Royalty revenue is mainly recognized as a percentage based on the licensee's recognition of the market value of consumer products containing Probi's products and ingredients.

## 2.5 Income tax

Current income tax includes tax payable or recoverable in respect of the current year, and adjustments of current tax in respect of prior years. Deferred tax is calculated on the temporary differences arising between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets referring to loss carryforwards or other future fiscal deductions are recognized to the extent that it is likely that the deductions can be offset against surpluses in conjunction with future taxation.

The measurement of all tax liabilities and receivables is based on nominal amounts, and is undertaken in accordance with tax regulations and tax rates that have been determined or those which have been announced, and which are likely to be adopted. Tax is recognized in profit or loss, except when the tax pertains to items recognized in other comprehensive income or directly in shareholders' equity. In such cases, tax is also recognized in other comprehensive income and shareholders' equity, respectively.

## 2.6 Intangible assets

- Goodwill: Goodwill is tested at least annually for impairment and is measured at cost less accumulated impairment losses. Goodwill impairments are not reversed. Gains or losses on the sale of a unit include the residual carrying amount of the goodwill referring to the divested unit. Goodwill is allocated among the smallest cash-generating units in connection with impairment testing.
- Capitalized development costs: Research costs are expensed on an ongoing basis. Development costs are recognized as assets from the date on which it is deemed that the project or activity to which they relate will lead to a technically and commercially viable product or lead in some other way to future economic benefit for the company. When Probi deems that the criteria with regard to identifiability, control, future economic benefit and the ability to reliably measure cost have been met, these development costs are capitalized. Capitalized development costs include direct costs for materials, services and personnel, with a premium for a reasonable portion of indirect costs. Development costs recognized as assets are amortized over their expected useful life, which is normally five years. Amortization commences when the asset is ready for use and charged to cost of goods sold. The value of capitalized assets not yet ready for use is tested annually for impairment. Such testing could lead to the value of the asset being impaired. The asset's carrying amount is reduced and the reduction is recognized in operating profit as an impairment loss. Capitalized assets can also be scrapped. In this case, the entire carrying amount of the asset will be derecognized from the statement of financial position and recognized in operating profit as a disposal.
- Customer base: The customer base is a part of the intangible assets identified in the acquisition of Nutraceutix, which became effective on 3 October 2016. The amortization period for the customer base is 15 years. The asset is tested at least once annually for impairment.
- Technology and other intangible assets: Technology and other intangible assets are part of the intangible assets identified in the acquisition of Nutraceutix, which became effective

on October 3, 2016. The amortization period for technology is 15 years. Other intangible assets also include patent expenses with an amortization period of 10 years and licenses and software with an amortization period of 3-5 years. Annual fees and other additional fees are expensed on an ongoing basis. The asset is tested at least once annually for impairment.

- Activated customer remuneration: Depreciation is made over the length of the contract

## 2.7 Tangible assets

Tangible assets are measured at cost less depreciation. The cost includes expenses that are directly attributable to the acquisition of the asset. Additional charges are added to the carrying amount of the asset or recognized as a separate asset, depending on which method is appropriate, and only when it is likely that the future economic benefits associated with the asset will accrue to the Group, and when the cost of the asset can be reliably measured. All other forms of repairs and maintenance are recognized as costs in profit or loss during the period in which they arise.

Tangible assets are depreciated using the straight-line method as follows:

- Buildings and land, which in Probi's case refers to right-of-use assets and leasehold improvements, are depreciated over the remaining term of the current lease.
- Plant and machinery 3-10 years.
- Equipment, tools, fixtures and fittings 3-10 years.

Gains on the divestment of tangible assets are recognized under Other operating income, and losses under Operating expenses.

## 2.8 Impairment of non-financial assets

Assets with an indefinite useful life are not depreciated, but tested annually for impairment. Depreciated assets are evaluated with regard to a reduction in value, whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Impairment is affected in the amount by which the asset's carrying amount exceeds its recoverable amount. When assessing impairment, assets are grouped at the lowest level at which separate identifiable cash flows (cash-generating units) exist.

## 2.9 Leases Lessee

In accordance with IFRS 16, all leases, except for short-term and low-value leases, are recognized on the balance sheet. These exceptions are recognized on a straight-line basis over the lease term as an operating expense.

The lease liability is valued at the present value of the remaining lease payments using the marginal lending rate as of 1 January each year. Furthermore, the asset is valued at an amount corresponding to the lease liability, adjusted for prepaid lease payments. Probi has calculated an average marginal lending rate of 3.2% based on a borrowing rate adjusted with a risk factor for the economic environment in which the transaction is carried out. See Note 11 for further information.

## 2.10 Financial instruments

The Group's financial instruments are classified and recognized in the balance sheet in accordance with IFRS 9 and include cash and cash equivalents, accounts receivable, accounts payable, participations in other companies and currency forward contracts.

- Cash and cash equivalents: Cash and cash equivalents include cash and bank balances. Cash and cash equivalents do not include current liabilities.
- Accounts receivable: Accounts receivable arise when the Group supplies goods or services directly to a customer without intending to trade in the receivable. Accounts receivable are recognized at nominal value less any decline in value. The

Group applies the simplified method for calculating expected losses. This method entails that the expected losses throughout the term of the receivable are used as the starting point for accounts receivable. The expected credit loss rates are based on qualitative judgements, the customers' payment history and the number of days of delays. Accounts receivable are written off when there is no reasonable expectation of repayment. Credit losses on accounts receivable are recognized in EBIT. For further information, refer to Note 27.

- Trade payables: Accounts payable are commitments to pay for goods or services acquired in operating activities from suppliers. Accounts payable are classified as current liabilities if they fall due within one year; otherwise they are recognized as non-current liabilities.
- Receivables and liabilities in foreign currencies: Receivables and liabilities in foreign currencies are recognized at the closing-day rate. Exchange-rate effects on operating receivables and liabilities are recognized in EBIT, while exchange-rate effects on financial receivables and liabilities are recognized in net financial items.
- Participations in other companies: Participations in other companies are measured at fair value through other comprehensive income. If there is insufficient information to measure fair value, or if there is a broad range of possible measurements of fair value and the cost represents the best estimate of fair value within that range, the cost can be used as an estimate of fair value.
- Currency forward contracts: Hedge accounting is applied to currency exposure resulting from customer receipts and supplier payments in foreign currencies and are initially and subsequently measured at fair value in the balance sheet. When applying hedge accounting, the relationship between the hedging instrument and the hedged item is documented. An assessment of the hedge effectiveness is also documented, both at the inception of the hedge and on an ongoing basis. Effectiveness refers to the degree to which fair value and cash flow changes in the hedging instrument offset corresponding changes in the hedged item. If the hedge accounting criteria are met, the effective portion of change in fair value when derivatives held for cash flow hedges are remeasured is recognized in other comprehensive income and accumulated in the hedging reserve in shareholders' equity. The cumulative hedging gain or loss that was recognized in the hedging reserve is reversed to profit or loss in the same period as the hedged cash flow affects profit or loss. Measurement gains/losses from the derivative financial instrument will be reclassified to sales or cost of goods sold depending on the underlying transaction (accounts receivable or accounts payable in foreign currencies). After reclassification, these hedging gains and losses will be offset against the actual currency gains and losses from operating business in cost of goods sold. Measurement gains/losses are recognized in the financial result insofar as currency risk hedges are used to hedge the financial activity. Any ineffective portion of the change in value is recognized immediately in profit or loss. If the hedging relationship is interrupted but cash flow is still expected to occur, the cumulative change in value is recognized in the hedging reserve until the underlying cash flow for the hedging transaction is no longer expected to occur, and the cumulative change in value recognized in the hedging reserve is immediately transferred to profit or loss. Hedge accounting was not applied for derivatives whose purpose is to hedge financial receivables and liabilities. See Note 30 for further information about financial derivatives.

## 2.11 Inventory

Inventory is measured, using the first-in-first-out (FIFO) principle, at the lower of cost and net realizable value on the balance sheet date. The cost of the finished goods comprises the cost of raw materials, direct salaries, other direct costs and attributable indirect manufacturing costs, based on normal manufacturing

capacity. The net sales value is the estimated sales price in operating activities, less any applicable sales over-heads. Necessary provisions for inventory obsolescence are made continuously.

## 2.12 Provisions

Provisions are recognized when Probi has, or may be deemed to have, a legal or informal obligation as a result of events that have occurred, and when it is likely that payments will be required in order to meet the obligation. A further requirement is that it is possible to make a reliable estimate of the amount to be paid. A provision for restructuring measures is made once a detailed, formal plan for the measures has been established.

## 2.13 Remuneration of employees Pensions

Pensions are classified as defined-contribution or defined-benefit plans. Obligations resulting from defined-contribution plans are fulfilled by paying premiums to independent authorities or companies that administrate the plans. Most of Probi's employees in Sweden are covered by the ITP plan 1 via continuous payments to Collectum. This is recognized as a defined-contribution scheme. The majority of Probi's employees in the US are covered by a 401(k) plan, which is a defined-contribution plan. All pension plans are recognized as defined-contribution plans over the period during which the employees performed the service to which the contribution relates.

## Severance payments

Severance payments are made when an employment contract is terminated by Probi prior to pensionable age or when an employee accepts voluntary redundancy in exchange for such payment. A severance payment is recognized when there is an obligation that employees be made redundant in accordance with set rules, without the option of re-employment, or when there is an obligation to provide remuneration upon termination of employment based on an offer made to encourage the individual to take voluntary redundancy.

## Bonus plans and variable remuneration

Probi recognizes a liability and a cost for bonus plans and variable remuneration when there is a legal obligation to do so according to the employment agreement or after a special decision by the Remuneration Committee.

## 2.14 Acquisition and sale of treasury shares

When acquiring and selling treasury shares, the proceeds, including fees, are recognized as a decrease or increase in shareholders' equity. Repurchased shares are not recognized as an asset in the balance sheet and any gain or loss is not recognized in profit or loss.

## 2.15 Statement of cash flows

The statement of cash flows is prepared using the indirect method. Recognized cash flow only includes transactions involving disbursements or receipts. Cash and cash equivalents are defined as cash and bank balances.

## 2.16 Parent Company's accounting policies

The Parent Company applies the same accounting policies as the Group, with the exceptions and supplements stipulated in "RFR2 Accounting for legal entities" and in accordance with the Swedish Annual Accounts Act (ÅRL). This means that the Parent Company prepares its financial statements using all IFRSs adopted by the EU, when this is possible within the framework of the Swedish Annual Accounts Act, and with regard to the relationship between reporting and taxation. The Parent Company posts a provision to the development cost reserve in restricted equity, in accordance with the Swedish Annual Accounts Act.

The Parent Company annually impairment tests participations in subsidiaries based on analyses of future cash flows in the subsidiaries. If events or changes in circumstances indicate

that an impairment loss may need to be recognized, then tests are carried out more frequently.

The Parent Company recognizes revenues from secondary activities as Other Income.

#### Amended accounting policies

For the 2022 financial year, no new standards came into effect that affected the Parent Company's accounts.

#### New and revised accounting standards and interpretations not yet effective

No new and revised standards have been identified that will affect the Parent Company's accounts.

### Note 3. Financial risk factors

Probi's business activities are exposed to various financial risks. These can be divided into market risks (including currency risks and interest rate risks), credit risks and liquidity risks. Probi's Financial Policy, which describes the management of financial risks, is revised and adopted by the Board on an annual basis.

#### 3.1 Market risk

##### Currency risk

Probi is exposed to several financial risks that primarily arise from the purchase and sale of products in foreign currency. Exchange rates affect the Group's earnings and cash flows. In 2022, 93% of Probi's revenue was billed in foreign currencies, of which 78% in USD and 15% in EUR. The company's financial policy is established by the Board and contains guidelines for the management of various types of financial risk exposure. The objective is to minimize currency exposure, and thus the currency risk, to the greatest possible extent. According to the company's financial policy, the average hedge ratio, i.e. hedged exposure as percentage of total exposure, shall be 75%.

The Board has approved currency hedging through the use of forward contracts with maturities of up to twelve months, provided that the arrangement qualifies for hedge accounting. The corporate finance function in the Group is responsible for identifying and effectively limiting the Group's financial risks. For more information, refer to Note 30.

A sensitivity analysis shows that the effect of a 5% change in the USD/SEK exchange rate on operating profit in 2022 would have been  $\pm$  SEK 5.4 m., and  $\pm$  SEK 50.5 m. on shareholders' equity.

#### Interest-rate risk

At the end of the financial year, the Probi Group had no external loans and therefore no interest-rate risk exists.

#### 3.2 Credit risk

Credit risk is managed by obtaining customers' credit information from credit rating agencies in accordance with the company's Financial Policy. Credit limits are set and evaluated on an ongoing basis. Accounts receivable are recognized at the amount that can be expected to be paid based on an individual assessment of each customer. Credit insurance can be used to minimize risk, but as a rule, credit risk is managed through requisite assessment and evaluation of customers. For further information, see Note 27.

Counterparty credit risk in financial transactions refers to Probi's exposure, according to financial contracts, arising from the deterioration of counterparties' financial performance. Probi minimizes its counterparty credit risk in by entering into transactions only with leading financial institutions and with industrial companies that have a high credit rating (BBB+ or higher) and investing in liquid cash funds only with financially secure institutions and companies (BBB+ or higher).

#### 3.3 Liquidity risk

Cash-flow forecasts are established regularly to ensure that the Group has sufficient cash funds to satisfy requirements in operating activities. For the portion of cash and cash equivalents that are not required for operating activities, alternative investments may be considered if this can be expected to generate a better return on investment.

### Note 4. Important estimates and assessments for accounting purposes

Estimates and assessments are measured on an ongoing basis and are based on historical experience and other factors, including expectations in relation to future events, considered reasonable under current circumstances. The estimates and assessments that could involve a risk of considerable adjustments in the carrying amounts of assets and liabilities in the coming financial years are addressed below.

#### Impairment testing of capitalized development costs

In 2022, Probi carried out impairment tests to determine the recoverable amount of the projects that had been capitalized at 31 December 2022. The value in use, meaning the present value of the anticipated future cash flow from the products encompassed by the capitalized development costs, did not indicate any impairment requirement.

#### Goodwill impairment testing

Goodwill is tested annually for impairment and measured at cost unless accumulated impairment losses. Goodwill impairments are not reversed. Gains or losses on the sale of a unit include the residual carrying amount of the goodwill referring to the divested unit. Goodwill is allocated among the smallest cash-generating units in connection with impairment testing. Any acquired goodwill is allocated at the acquisition date to the cash-generating units that are expected to benefit from the synergies deriving from the business combination. In determining the value in use of the cash-generating units, the company makes assessments on market trends, consumer preferences and category dynamics. More information about these assumptions can be found in Note 17.

#### Assessment of participations in other companies

Probi assesses the value of participations in other companies on a quarterly basis or more frequently. If there is insufficient information to measure fair value, or if there is a broad range of possible measurements of fair value, the cost is deemed to represent the best estimate.

#### Revenue recognition

For agreements with volume discounts calculated on an annual basis, the amount of the discount is continuously estimated during the year, and finally determined at the end of the financial year. The estimates are based on delivered and forecasted yearly volumes. There are no other considerable revenue-related assessments.

### Note 5. Management of capital

The aim of Probi's management of the capital structure is to fulfil the Group's short- and long-term obligations and generate returns for shareholders. It is also important to maintain a capital structure that minimizes the cost of capital. If the capital structure were to need adjustment in the future, this could be achieved through external borrowing, the issuance of new shares, share buybacks or changes to the dividend that is paid to shareholders.

#### Probi's financial objectives:

##### Growth

The objective is for annual organic sales growth shall exceed 7%. In 2022, Probi's growth was -6% (-8).

##### Margin

Growth is to be combined with an EBITDA margin at or above 29%. In 2022, Probi's EBITDA margin was 22% (28).

#### Proposed allocation of profit in the Parent Company

The following profits in the Parent Company are at the disposal of the Annual General Meeting (SEK):

Profit brought forward	543,200,113
Share premium reserve	579,064,772
Net income	75,294,580
<b>Total</b>	<b>1,197,559,465</b>

The Board proposes that the profits at the disposal of the AGM be distributed as follows:

that a dividend of SEK 1.30 per share be paid to shareholders	14,812,363
to be carried forward	1,182,747,102
<b>Total</b>	<b>1,197,559,465</b>

The profit brought forward by the Group totaled KSEK 611,232 according to the consolidated statement of financial position and other contributions received amounted to KSEK 600,205.

### Note 6. Segment information

The Group's operations are controlled and evaluated according to a geographic distribution consisting of the regions Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia and Pacific).

All segments sell probiotics to pharmaceutical and health-care companies as well as customers specialized in probiotics and self-care products. Revenue is derived from sales of goods ranging from raw materials in bulk to finished products in consumer packaging. In addition, food products are developed which contain Probi's probiotics, in partnership with leading food companies. Revenues come from sales of goods and through royalties. Probi has two manufacturing facilities in the Americas: a fermentation facility in Redmond, Washington, and a production and packaging facility in Lafayette, Colorado.

Sales and gross profits are recognized for these segments, and monitored on a regular basis by the CEO (the highest-ranking decision maker) together with management. The segments' assets are not monitored against the company's total assets. There are no sales or other transactions between the two segments.

#### GROSS PROFIT BY REGION

	Americas	EMEA	APAC	Total
<b>2022</b>				
Net sales	454,534	109,570	54,181	<b>618,285</b>
Cost of goods sold	-287,140	-53,043	-22,657	<b>-362,840</b>
<b>Gross profit</b>	<b>167,394</b>	<b>56,527</b>	<b>31,524</b>	<b>255,445</b>
<b>2021</b>				
Net sales	484,560	124,146	49,474	<b>658,180</b>
Cost of goods sold	-291,383	-57,217	-21,573	<b>-370,173</b>
<b>Gross profit</b>	<b>193,177</b>	<b>66,929</b>	<b>27,901</b>	<b>288,007</b>

#### OPERATING REVENUE DISTRIBUTED BY GEOGRAPHIC AREAS

	2022	2021
USA	448,412	478,026
Americas, excl. USA	6,122	6,534
Sverige	35,790	39,479
EMEA, excl. Sverige	73,780	84,667
APAC	54,181	49,474
<b>Net sales</b>	<b>618,285</b>	<b>658,180</b>

Probi's five largest customers account for 56% of the Group's sales, or SEK 349 m, of which SEK 290 m in the Americas segment and SEK 59 m in EMEA.

### Note 7. Revenue distribution

#### REVENUE DISTRIBUTION

Group 2022	Americas	EMEA	APAC	Total
Goods	448,507	106,434	54,181	<b>609,122</b>
Royalties	6,027	3,136	-	<b>9,163</b>
<b>Net sales</b>	<b>454,534</b>	<b>109,570</b>	<b>54,181</b>	<b>618,285</b>

Group 2021	Americas	EMEA	APAC	Total
Goods	478,668	114,587	49,474	<b>642,729</b>
Royalties	5,892	9,559	-	<b>15,451</b>
<b>Net sales</b>	<b>484,560</b>	<b>124,146</b>	<b>49,474</b>	<b>658,180</b>

Parent Company 2022	Americas	EMEA	APAC	Total
Goods	11,399	104,688	35,114	<b>151,201</b>
Royalties	108,966	3,136	-	<b>112,102</b>
<b>Net sales</b>	<b>120,365</b>	<b>107,824</b>	<b>35,114</b>	<b>263,303</b>
Other revenue	13,245	66	288	<b>13,599</b>
<b>Total revenue</b>	<b>133,610</b>	<b>107,890</b>	<b>35,402</b>	<b>276,902</b>

Parent Company 2021	Americas	EMEA	APAC	Total
Goods	11,148	112,860	34,704	<b>158,712</b>
Royalties	107,756	9,559	-	<b>117,315</b>
<b>Net sales</b>	<b>118,904</b>	<b>122,419</b>	<b>34,704</b>	<b>276,027</b>
Other revenue	9,154	68	115	<b>9,337</b>
<b>Total revenue</b>	<b>128,058</b>	<b>122,487</b>	<b>34,819</b>	<b>285,364</b>

### Note 8. Cost distribution

	Group		Parent Company	
	2022	2021	2022	2021
Product costs	-187,963	-225,528	-63,793	-67,467
Currency changes from operating activities	1,982	475	1,982	475
Employee benefit expenses	-165,473	-147,195	-66,421	-62,336
Other external costs	-129,870	-103,405	-75,308	-65,604
Depreciation/amortization and disposal of non-current assets	-86,386	-73,285	-16,798	-15,035
<b>Total</b>	<b>-567,710</b>	<b>-548,938</b>	<b>-220,338</b>	<b>-209,967</b>

**Note 9. Auditors' fees**

	Group		Parent Company	
	2022	2021	2022	2021
<b>Ernst &amp; Young</b>				
Audit assignment	1,033	966	693	678
Audit-related services	-	100	-	100
Other services	76	18	76	18
<b>Total</b>	<b>1,109</b>	<b>1 084</b>	<b>769</b>	<b>796</b>

"Audit assignment" refers to the statutory auditing and fee for audit consultancy. "Audit-related services" refers to the review of management and financial information resulting from the legislation, Articles of Association, statutes and agreements that culminate in a report or any other document that is intended to be used as analytical material for parties other than the consultant. Everything else is classified as "Other assignments".

**Note 10. Average number of employees, salaries, other remuneration and social security contributions****AVERAGE NO. OF EMPLOYEES**

	Group		Parent Company	
	2022	2021	2022	2021
<b>Sweden</b>	<b>45</b>	<b>49</b>	<b>45</b>	<b>49</b>
of whom women	31	33	31	33
<b>Abroad</b>				
Singapore	4	4	-	-
US	119	125	-	-
<b>Total abroad</b>	<b>123</b>	<b>129</b>	<b>-</b>	<b>-</b>
of whom women	56	58	-	-
<b>Total</b>	<b>168</b>	<b>178</b>	<b>45</b>	<b>49</b>
of whom women	87	91	31	33

**DISTRIBUTION OF WOMEN AND MEN ON THE BOARD AND EXECUTIVE MANAGEMENT**

	2022		2021	
	Women	Men	Women	Men
Board of Directors	3	2	3	2
CEO and Management Group	2	4	1	5

**SALARIES AND REMUNERATION**

	Group		Parent Company	
	2022	2021	2022	2021
Board of Directors	1,540	1,760	1,540	1,760
CEO and Management Group	17,258	13,118	12,476	10,482
Other employees	102,213	94,980	26,968	27,951
<b>Total</b>	<b>121,012</b>	<b>109,859</b>	<b>40,984</b>	<b>40,193</b>

	2022		2021	
	2022	2021	2022	2021
<b>Social security contributions, total</b>	<b>29,694</b>	<b>27,387</b>	<b>20,917</b>	<b>20,067</b>
Of which pension costs:	9,017	9,043	7,365	7,385
Board Members	-	-	-	-
CEO and Management Group	3,488	3,081	3,373	2,998
Other employees	5,529	5,962	3,992	4,387

**REMUNERATION AND OTHER BENEFITS TO BOARD MEMBERS**

	Parent Company 2022			
	Board of Directors	Rem. Comm.	Aud. Comm.	Total
Jörn Andreas	268	-	50	318
Charlotte Hansson	268	-	120	388
Irène Corthésy Malnoë	268	-	-	268
Jean-Yves Parisot	265	13	-	278
Malin Ruijsenaars	268	23	-	290
<b>Total</b>	<b>1,335</b>	<b>35</b>	<b>170</b>	<b>1,540</b>

	Parent Company 2021			
	Board of Directors	Rem. Comm.	Aud. Comm.	Total
Jörn Andreas	258	-	50	308
Charlotte Hansson	258	-	115	373
Irène Corthésy Malnoë	258	-	-	258
Jean-Yves Parisot	515	20	-	535
Malin Ruijsenaars	258	30	-	288
<b>Total</b>	<b>1,545</b>	<b>50</b>	<b>165</b>	<b>1,760</b>

**REMUNERATION AND OTHER BENEFITS TO CEO AND MANAGEMENT**

2022	Base salary	Variable rem.	Other benefits	Pension costs	Total
Tom Rönnlund, CEO	5,982	711	97	1,851	8,641
Anita Johansen, interim VD	146	-	3	24	173
Other management, average	9,200	-	1,119	1,613	11,931
<b>Total</b>	<b>15,328</b>	<b>711</b>	<b>1,219</b>	<b>3,488</b>	<b>20,745</b>
2021	Base salary	Variable rem.	Other benefits	Pension costs	Total
Tom Rönnlund, CEO	2,956	779	98	1,185	5,018
Other management, average	8,344	492	450	1,896	11,182
<b>Total</b>	<b>11,300</b>	<b>1,271</b>	<b>548</b>	<b>3,081</b>	<b>16,200</b>

The CEO was entitled to a maximum bonus of 50% of annual base salary. Other management was entitled to a maximum bonus of 40% of annual base salary. Bonus reserves for other employees including social cost amounted to SEK 1.5 m. (4.3). This outcome is based on fulfilment of quantitative and qualitative goals established annually by the Board. The Remuneration Committee is entitled to deviate from the aforementioned guidelines in the Board finds specific reasons to motivate this in isolated cases.

The notice period for the CEO is four months if given by the CEO. If notice is given by the company, the notice period is twelve months. The retirement age for the CEO is 65. There are no other severance pay or pension agreements within the company other than those described above.

The CEO's remuneration is determined by the Board of Directors, and that of other management personnel by the CEO and the Chairman of the Board. The company has no outstanding and unrecognized pension commitments, as all pensions for senior executives are defined-benefit pensions.

On December 8, 2022, Anita Johansen was appointed acting CEO and in connection with this, Tom Rönnlund resigned. Remuneration attributable to the resigning CEO's notice period of twelve months amounted to SEK 3.9 million, of which SEK 3.1 m

refers to accrued salary and SEK 0.8 m refers to pension. The amount has been fully expensed in 2022.

During the year our chairman of the board, Mr. Jean-Yves Parisot, waived his board remuneration and no remuneration was paid during the second half of the year. Unpaid, but decided, remuneration amounts to KSEK 285.

**Note 11. Leases**

Leases include lease of premises, production equipment, office equipment and vehicles. The Group's expenses for short-term leases for which the underlying asset has a low value amounted to SEK 0.8 m. (0.7 m.) for 2021.

**COST DISTRIBUTION IFRS 16 LEASES**

	Group	
	2022	2021
<b>Depreciation of leases</b>		
Buildings and land	-14,605	-12,870
Plant and machinery	-166	-141
Equipment, tools and fixtures	-336	-484
<b>Total depreciation of leases</b>	<b>-15,107</b>	<b>-13,495</b>
<b>Financial expenses, leases</b>		
Buildings and land	-2,389	-1,732
Plant and machinery	-17	-20
Equipment, tools and fixtures	-4	-12
<b>Total financial expenses leases</b>	<b>-2,409</b>	<b>-1,764</b>
<b>Total expenses attributable to leases</b>	<b>-17,516</b>	<b>-15,259</b>

**IFRS 16 LEASES IN BALANCE SHEET**

	Group	
	2022	2021
<b>Buildings and land</b>		
<b>Opening value</b>	<b>73,363</b>	<b>41,428</b>
Acquisitions	-	40,589
Disposals	-1,305	-
Depreciation for the year	-14,605	-12,870
Translation differences	7,472	4,216
<b>Closing residual value</b>	<b>64,925</b>	<b>73,363</b>
<b>Plant and machinery</b>		
<b>Opening value</b>	<b>457</b>	<b>548</b>
Depreciation for the year	-166	-141
Translation differences	65	50
<b>Closing residual value</b>	<b>357</b>	<b>457</b>
<b>Equipment, tools and fixtures</b>		
<b>Opening value</b>	<b>919</b>	<b>1,042</b>
Acquisitions	-319	362
Depreciation for the year	-336	-485
<b>Closing residual value</b>	<b>264</b>	<b>919</b>
<b>Total leases in the balance sheet</b>	<b>65,546</b>	<b>74,739</b>

**LEASING LIABILITIES**

	Group	
	2022	2021
<b>Opening value</b>	<b>77,589</b>	<b>44,448</b>
Additional leasing liabilities	-1,617	40,951
Interest expenses	2,410	1,763
Paid leasing liabilities	-16,191	-14,121
Translation differences	8,078	4,548
<b>Closing leasing liabilities</b>	<b>70,268</b>	<b>77,589</b>

IFRS 16 is not applied by the Parent Company. Leases are recognized on a straight-line basis over the leasing period as an expense. The nominal value of future minimum lease payments for operating leases is allocated as follows:

**OPERATIONAL LEASING AGREEMENTS**

	Parent company	
	2022	2021
Leasing costs for the year	5,794	5,371
Falls due for payment within one year	5,886	5,203
Falls due for payment after one but within five years	22,467	18,495
Falls due for payment after more than five years	4,588	8,109

**Note 12. Financial income and expenses**

	Group		Parent Company	
	2022	2021	2022	2021
Interest income	1,705	154	929	154
Exchange rate gains	5,095	1,332	4,376	1,332
Exchange rate losses	-2,907	-1,408	-2,907	-1,407
Interest expenses	-2,419	-1,766	-10	-3
Other financial expenses	-73	-116	-73	-116
Dividend from subsidiaries	-	-	49,944	42,363
Impairment of shares in other companies	-	-	-20,691	-7,722
<b>Total</b>	<b>1,400</b>	<b>-1,804</b>	<b>31,568</b>	<b>34,601</b>

**Note 13. Income tax**

	Group		Parent Company			Group		Parent Company	
	2022	2021	2022	2021		2022	2021	2022	2021
Current tax for the year	-12,945	-15,984	-12,838	-15,975	<b>Change in deferred tax for the year</b>				
Deferred tax	2,413	-8,185	-	219	Temporary differences in deferred tax	-10,362	718	-	219
Tax effect of changed tax rate	-820	-125	-	-	Tax effect of changed tax rate	-820	-125	-	-
<b>Change in deferred tax</b>	<b>1,593</b>	<b>-8,310</b>	<b>-</b>	<b>219</b>	Deferred tax assets in capitalized loss carryforwards	11,238	-319	-	-
<b>Total income tax</b>	<b>-11,352</b>	<b>-24,294</b>	<b>-12,838</b>	<b>-15,756</b>	Translation differences	-2,011	0	-	-
<b>Reconciliation of effective tax rate</b>					<b>Total change in deferred tax for the year</b>	<b>56</b>	<b>274</b>	<b>-</b>	<b>219</b>
Profit before tax	51,974	107,439	88,132	109,998	<b>Change in deferred tax liability for the year</b>				
Nominal tax according to parent company 20.60%	-10,707	-22,132	-18,155	-22,660	Temporary differences in deferred tax	-474	-9,454	-	-
Adjustment of tax attributable to previous years	-151	70	-144	5	<b>Total change in deferred tax liability for the year</b>	<b>-474</b>	<b>-9,454</b>	<b>-</b>	<b>-</b>
Tax effect from non-deductible expenses	-910	-629	5,461	6,899	<b>Total change in deferred tax for the year</b>	<b>-418</b>	<b>-9,180</b>	<b>-</b>	<b>219</b>
Tax effect of foreign subsidiaries	393	-1,226	-	-					
Tax effect of changed tax rate	-820	-125	-	-					
Other taxes	843	-252	-	-					
<b>Total effective tax</b>	<b>-11,352</b>	<b>-24,294</b>	<b>-12,838</b>	<b>-15,756</b>					

**DEFERRED TAX ASSETS AND LIABILITIES, 2022**

	Group			Parent Company		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax	Deferred tax assets	Deferred tax liabilities	Net deferred tax
Intangible assets	6,915	-35,604	-28,689	-	-	-
Property, plant and equipment	219	-24,121	-23,902	219	-	219
Inventories	-	-14	-14	-	-	-
Other provisions and current liabilities	17,847	-426	17,421	-	-	-
Loss carryforwards	21,708	-	21,708	-	-	-
<b>Subtotal</b>	<b>46,689</b>	<b>-60,165</b>	<b>-13,476</b>	<b>219</b>	<b>-</b>	<b>219</b>
Offsetting	-46,332	46,332	-	-	-	-
<b>Total</b>	<b>357</b>	<b>-13,833</b>	<b>-13,476</b>	<b>219</b>	<b>-</b>	<b>219</b>

**DEFERRED TAX ASSETS AND LIABILITIES, 2021**

	Group			Parent Company		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax	Deferred tax assets	Deferred tax liabilities	Net deferred tax
Intangible assets	5,817	-25,950	-20,133	-	-	-
Property, plant and equipment	219	-23,233	-23,014	219	-	219
Inventories	180	-	180	-	-	-
Other provisions and current liabilities	19,809	-370	19,439	-	-	-
Loss carryforwards	10,470	-	10,470	-	-	-
<b>Subtotal</b>	<b>36,495</b>	<b>-49,553</b>	<b>-13,058</b>	<b>219</b>	<b>-</b>	<b>219</b>
Offsetting	-36,194	36,194	-	-	-	-
<b>Total</b>	<b>301</b>	<b>-13,359</b>	<b>-13,058</b>	<b>219</b>	<b>-</b>	<b>219</b>

At December 31, 2022, the Group's loss carryforwards pertaining to federal tax in the US amounted to SEK 89.1 m. (40.4 m.). Including additional loss carryforwards pertaining to state tax in the US, the Group's total loss carryforwards corresponded to a deferred tax asset of SEK 21.7 m. (10.5 m.) at December 31, 2022. All loss carryforwards were capitalized at this date. Company management is of the opinion that the prerequisites for utilizing the deficit are warranted based on expected future development.

**Note 14. Capitalized development costs**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	88,543	85,753	88,543	85,753
New acquisitions	2,611	2,790	2,611	2,790
<b>Closing accumulated cost</b>	<b>91,154</b>	<b>88,543</b>	<b>91,154</b>	<b>88,543</b>
Opening depreciation/amortization	-45,396	-35,082	-45,396	-35,082
Depreciation/amortization for the year	-9,925	-10,314	-9,925	-10,314
Closing accumulated depreciation/amortization	<b>-55,321</b>	<b>-45,396</b>	<b>-55,321</b>	<b>-45,396</b>
Opening accumulated impairment	-11,051	-11,051	-11,051	-11,051
<b>Closing accumulated impairment</b>	<b>-11,051</b>	<b>-11,051</b>	<b>-11,051</b>	<b>-11,051</b>
<b>Closing residual value</b>	<b>24,782</b>	<b>32,096</b>	<b>24,782</b>	<b>32,096</b>

**Note 15. Customer base**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	369,057	334,161	-	-
Translation differences	56,861	34,896	-	-
<b>Closing accumulated cost</b>	<b>425,918</b>	<b>369,057</b>	<b>-</b>	<b>-</b>
Opening depreciation/amortization	-129,170	-94,679	-	-
Depreciation for the year	-27,544	-23,346	-	-
Translation differences	-20,752	-11,145	-	-
Closing accumulated depreciation/amortization	<b>-177,466</b>	<b>-129,170</b>	<b>-</b>	<b>-</b>
<b>Closing residual value</b>	<b>248,452</b>	<b>239,887</b>	<b>-</b>	<b>-</b>

The customer base is a part of the intangible assets identified in the acquisition of Nutraceutix, which became effective on October 3, 2016.

**Note 16. Technology and other intangible assets**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	247,248	227,889	91,422	86,797
New acquisitions	6,175	4,625	6,175	4,625
Disposals	-4,358	-	-4,358	-
Translation differences	24,008	14,734	-	-
<b>Closing accumulated cost</b>	<b>273,073</b>	<b>247,248</b>	<b>93,239</b>	<b>91,422</b>
Opening depreciation	-139,111	-117,833	-74,012	-70,117
Depreciation/amortization for the year	-17,933	-15,661	-4,052	-3,895
Disposals	3,680	-	3,680	-
Translation differences	-10,458	-5,617	-	-
<b>Closing accumulated depreciation</b>	<b>-163,822</b>	<b>-139,111</b>	<b>-74,384</b>	<b>-74,012</b>
<b>Closing residual value</b>	<b>109,251</b>	<b>108,138</b>	<b>18,855</b>	<b>17,410</b>

Technology and other intangible assets are part of the intangible assets identified in the acquisition of Nutraceutix, which became effective on October 3, 2016. This category also includes capitalized patents, licenses and software with a closing residual value amounting to SEK 18.9 m (17.4).

**Note 17. Goodwill**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	307,011	278,238	-	-
Translation differences	46,876	28,772	-	-
<b>Closing accumulated cost</b>	<b>353,887</b>	<b>307,011</b>	<b>-</b>	<b>-</b>

In accordance with IAS 36, goodwill is tested for impairment at least once per year. If events or changes in circumstances indicate that an impairment loss may need to be recognized, then tests are carried out more frequently.

The largest component of goodwill, an amount of USD 33.6 m. arose from the 2016 acquisition of Nutraceutix and consists largely of the synergies and economies of scale from combining the operations of Probi and Nutraceutix.

For impairment tests, goodwill is to be allocated to the cash-generating unit within the Group that is intended to benefit from the synergies of the business combination. Every unit with goodwill allocated to it represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The units are not larger than an operating segment as defined in IFRS 8. Probi's lowest cash-generated units at which goodwill is monitored are based on a geographic distribution consisting of the regions Americas (North and South America), EMEA (Europe, Middle East and Africa) and APAC (Asia and Pacific). Goodwill resulting from the business combination of Nutraceutix is allocated in its entirety to the Americas region, as the surplus value is primarily attributable to this region.

The Group's total goodwill at the end of 2022 amounted to SEK 353.9 m. (307.0 m.). The year-on-year increase was attributable to changed exchange rates.

Probi performs the annual impairment test in the fourth quarter for the Americas cash-generating unit.

The recoverable amount is represented by value in use and was determined as the present value of future cash flows. The future cash flows were obtained from the Probi Group's budget and business plan. The calculation of the present value of estimated future cash flows is mainly based on assumptions relating to future selling prices and/or sales volumes and costs while taking into account any changed economic circumstances.

When applying value in use, the cash-generating unit is measured as currently used. Net cash inflows outside of the planning period are determined on the basis of long-term business expectations using individual growth rates derived from the respective market information.

The business plan is based on a detailed planning horizon for the years 2023–2026. A growth rate of 2.0% was assumed for the calculation of perpetuity. The cash flows determined in this manner were discounted with a weighted average capital cost (WACC) before tax of 9.44% for Americas. Capital costs and borrowing costs were weighted with a capital structure based on a group of comparable companies. Capital market data and data from comparable companies were used to determine capital costs and borrowing costs. There were no indications of impairment for the financial year.

Probi's management believes that no reasonable possible change in any of the above key assumptions would cause the Americas region's recoverable amount to fall below the carrying amount.

**Note 18. Activated customer remuneration**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	9,822	9,822	9,822	9,822
Disposals	-9,822	-	-9,822	-
<b>Closing accumulated cost</b>	<b>-</b>	<b>9,822</b>	<b>-</b>	<b>9,822</b>
Opening amortization	-6,548	-3,274	-6,548	-3,274
Amortization for the year	-3,274	-3,274	-3,274	-3,274
Disposals	9,822	9,822	-	-
<b>Closing accumulated amortization</b>	<b>-</b>	<b>-6,548</b>	<b>-</b>	<b>-6,548</b>
<b>Closing residual value</b>	<b>-</b>	<b>3,274</b>	<b>-</b>	<b>3,274</b>

**Note 19. Buildings and land**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	15,242	7,511	3,588	3,588
Acquisitions	5,677	-	5,677	-
Reclassification	8,919	6,947	-	-
Translation differences	2,071	784	-	-
<b>Closing accumulated cost</b>	<b>31,908</b>	<b>15,242</b>	<b>9,265</b>	<b>3,588</b>
Opening depreciation/amortization	-8,240	-6,572	-3,588	-3,588
Depreciation for the year	-2,940	-1,287	-438	-
Translation differences	-794	-381	-	-
<b>Closing accumulated depreciation/amortization</b>	<b>-11,975</b>	<b>-8,240</b>	<b>-4,026</b>	<b>-3,588</b>
<b>Closing residual value</b>	<b>19,934</b>	<b>7,002</b>	<b>5,239</b>	<b>-</b>

The expense in the Parent Company is related to improvements in connection with the renovation and expansion of Probi's leased premises in Lund, Sweden. The consolidated statements also include improvement expenses for leased premises in Redmond, Washington, and Lafayette, Colorado.

**Note 20. Plant and machinery**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	75,910	46,267	-	-
Reclassification	28,999	26,073	-	-
Disposals	-	-2,529	-	-
Translation differences	12,591	6,099	-	-
<b>Closing accumulated cost</b>	<b>117,500</b>	<b>75,910</b>	<b>-</b>	<b>-</b>
Opening depreciation/amortization	-37,011	-28,281	-	-
Depreciation for the year	-9,876	-8,010	-	-
Depreciation/amortization of disposed equipment	-	2,529	-	-
Translation differences	-6,007	-3,249	-	-
<b>Closing accumulated depreciation/amortization</b>	<b>-52,894</b>	<b>-37,011</b>	<b>-</b>	<b>-</b>
<b>Closing residual value</b>	<b>64,606</b>	<b>38,899</b>	<b>-</b>	<b>-</b>

**Note 21. Equipment, tools, fixtures and fittings**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	17,387	11,399	15,275	9,939
Acquisitions	3,049	5,619	3,049	5,619
Disposals	-146	-283	-146	-283
Reclassification	861	473	-	-
Translation differences	352	178	-	-
<b>Closing accumulated cost</b>	<b>21,502</b>	<b>17,387</b>	<b>18,178</b>	<b>15,275</b>
Opening depreciation/amortization	-10,080	-9,119	-9,129	-8,586
Depreciation for the year	-2,356	-1,170	-1,680	-826
Disposals	101	283	101	283
Translation differences	-168	-74	-	-
<b>Closing accumulated depreciation/amortization</b>	<b>-12,503</b>	<b>-10,080</b>	<b>-10,708</b>	<b>-9,129</b>
<b>Closing residual value</b>	<b>8,999</b>	<b>7,306</b>	<b>7,470</b>	<b>6,146</b>

**Note 22. Work in progress**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	38,732	38,853	-	-
Acquisitions	47,089	29,529	-	-
Reclassification	-38,778	-33,493	-	-
Translation differences	6,224	3,844	-	-
<b>Closing accumulated cost</b>	<b>53,267</b>	<b>38,732</b>	<b>-</b>	<b>-</b>

Work in progress mainly pertained to the upgrading program at the manufacturing unit in Redmond, Washington.

**Note 23. Participations in Group companies**

	2022	2021
Carrying amount	905,289	905,289

**Specification of parent company's holdings of shares in Group companies**

	Share of equity	Share of votes	No. of shares	Carrying amount	Equity
Probi Asia-Pacific Pte. Ltd. 201537643C, Singapore	100%	100%	50,000	298	3,638
Probi USA Inc 81-2766100, Delaware	100%	100%	100	904,991	1,009,478

**Note 24. Participations in other companies**

	Group		Parent Company	
	2022	2021	2022	2021
Opening cost	108,923	53,032	108,923	53,032
New acquisitions	-	55,891	-	55,891
<b>Closing accumulated cost</b>	<b>108,923</b>	<b>108,923</b>	<b>108,923</b>	<b>108,923</b>
Opening revaluation	-7,722	-	-7,722	-
Revaluation	-20,691	-7,722	-20,691	-7,722
<b>Closing accumulated revaluation</b>	<b>-28,413</b>	<b>-7,722</b>	<b>-28,413</b>	<b>-7,722</b>
<b>Closing residual value</b>	<b>80,510</b>	<b>101,201</b>	<b>80,510</b>	<b>101,201</b>

An investment of SEK 53 million was made in October 2020 and relates to shares in the American company Vital Nutrients Holdings LLC, which gives an ownership of slightly less than 10% of the shares in the company. In July 2021, an investment of SEK 56 million was made and relates to shares in the New Zealand company Blis Technologies Ltd, which gave an ownership of approximately 13% of the shares in the company.

**Note 25. Inventory**

	Group		Parent Company	
	2022	2021	2022	2021
Raw materials and consumables	40,594	40,883	-	-
Semi-finished products	65,805	49,140	-	-
Finished goods and consumables	9,846	3,799	8,446	7,989
<b>Total</b>	<b>116,245</b>	<b>93,822</b>	<b>8,446</b>	<b>7,989</b>

For inventory valuation principles, refer to Note 2.11.

**Note 26. Financial assets and liabilities**

	Group		Parent Company	
	2022	2021	2022	2021
<b>Financial assets</b>				
<b>Derivatives identified as hedging instruments</b>				
Foreign exchange forward contracts recognized in income statement	-	115	-	-
<b>Financial assets valued at fair value via income statement</b>				
Interests in other entities	-	-	27,478	48,169
<b>Financial assets valued at fair value via other comprehensive income</b>				
Interests in other entities	80,510	101,201	53,032	53,032
<b>Financial assets at amortized cost</b>				
Participations in Group companies	-	-	905,289	905,289
Trade receivable	89,295	119,060	26,713	30,541
Cash and cash equivalent	323,706	251,017	258,185	167,830
<b>Total financial assets</b>	<b>493,511</b>	<b>471,393</b>	<b>1,270,697</b>	<b>1,204,861</b>

**Financial liabilities**

	Group	Parent Company
<b>Financial liabilities at amortized cost</b>		
Trade payables	34,424	46,244
Current lease liabilities	16,667	14,856
Non-current lease liabilities, 1-5 years	51,656	48,006
Non-current lease liabilities, >5 years	1,945	14,727
<b>Total financial liabilities</b>	<b>104,692</b>	<b>123,833</b>

Derivatives designated as hedging instruments reflect the positive measurement at fair value of currency forward contracts connected to hedges of supplier payments in Euro. The valuation of forward exchange contracts and participations in other companies regarding Vital Nutrients Holdings (SEK 53.0 million) has been determined in accordance with level 2 in the value hierarchy. The valuation of the shares in Blis Technologies Ltd has been determined according to level 1 in the value hierarchy as the shares are traded on the New Zealand stock exchange.

**Note 27. Accounts receivable**

Carrying amount corresponds to the fair value of accounts receivable.

Group						Total
	Not overdue	Overdue <30 days	Overdue 30-60 days	Overdue 61-90 days	Overdue >90 days	
<b>Dec 31, 2022</b>						
Estimated not invoiced accounts receivable	-5,489	-	-	-	-	-5,489
Invoiced accounts receivable	77,656	13,222	3,992	43	-	94,913
Provision for doubtful accounts receivable	-91	-34	-3	-1	-	-129
<b>Total accounts receivable</b>	<b>72,076</b>	<b>13,188</b>	<b>3,989</b>	<b>42</b>	<b>-</b>	<b>89,295</b>
Expected credit losses (%)	0.1%	0.3%	0.1%	2.7%	-	0.1%

**Dec 31, 2021**

Estimated not invoiced accounts receivable	-4,639	-	-	-	-	-4,639
Invoiced accounts receivable	92,204	27,193	1,130	3,290	27	123,844
Provision for doubtful accounts receivable	-88	-27	-1	-2	-27	-145
<b>Total accounts receivable</b>	<b>87,477</b>	<b>27,166</b>	<b>1,129</b>	<b>3,288</b>	<b>-</b>	<b>119,060</b>
Expected credit losses (%)	0.1%	0.1%	0.1%	0.1%	100.0%	0.1%

**Parent Company**

Dec 31, 2022						Total
	Not overdue	Overdue <30 days	Overdue 30-60 days	Overdue 61-90 days	Overdue >90 days	
Estimated not invoiced accounts receivable	1,672	-	-	-	-	1,672
Invoiced accounts receivable	21,333	3,401	334	-	-	25,068
Provision for doubtful accounts receivable	-23	-4	-	-	-	-27
<b>Total accounts receivable</b>	<b>22,982</b>	<b>3,397</b>	<b>334</b>	<b>-</b>	<b>-</b>	<b>26,713</b>
Expected credit losses (%)	0.1%	0.1%	0.1%	-	-	0.1%

**Dec 31, 2021**

Estimated not invoiced accounts receivable	3,357	-	-	-	-	3,357
Invoiced accounts receivable	25,416	1,011	426	361	-	27,214
Provision for doubtful accounts receivable	-29	-1	-	-	-	-30
<b>Total accounts receivable</b>	<b>28,744</b>	<b>1,010</b>	<b>426</b>	<b>361</b>	<b>-</b>	<b>30,541</b>
Expected credit losses (%)	0.1%	0.1%	0.0%	0.0%	-	0.1%

**CHANGES IN PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE**

	Group		Parent Company	
	2022	2021	2022	2021
<b>Opening provision for doubtful accounts receivable</b>	<b>145</b>	<b>565</b>	<b>30</b>	<b>20</b>
New provisions and increase of existing provisions	27	40	27	30
Amounts claimed	-	-	-	-
Unutilized amounts reversed	-60	-492	-30	-20
Currency effects	17	32	-	-
<b>Closing provision for doubtful accounts receivable</b>	<b>129</b>	<b>145</b>	<b>27</b>	<b>30</b>

**Note 28. Prepaid expenses and accrued income**

	Group		Parent Company	
	2022	2021	2022	2021
Prepaid rent	531	366	1,376	1,207
Insurance premiums	1,156	1,176	248	158
Sales and marketing costs	1,202	524	184	296
IT costs	1,087	919	799	684
Other items	2,353	2,993	2,095	2,954
<b>Total</b>	<b>6,329</b>	<b>5,979</b>	<b>4,702</b>	<b>5,299</b>

**Note 29. Accrued expenses and deferred income**

	Group		Parent Company	
	2022	2021	2022	2021
Accrued holiday pay including social security contributions	9,858	9,895	3,193	3,334
Accrued production costs	2,057	830	906	-
Accrued administration and sales costs	6,196	1,314	4,704	952
Accrued remuneration to employees	9,903	5,515	8,486	2,800
Other items	2,136	1,026	1,223	135
<b>Total</b>	<b>30,150</b>	<b>18,580</b>	<b>18,512</b>	<b>7,221</b>

**Note 30. Hedge accounting**

	Group		Parent Company	
	2022	2021	2022	2021
Opening changes in value	115	-	-	-
Realized hedging instruments	-115	-	-	-
Acquisitions	-	115	-	-
<b>Closing changes in value</b>	<b>-</b>	<b>115</b>	<b>-</b>	<b>-</b>

In 2022, Probi has applied hedge accounting in order to hedge supplier payments in Euro. There are no outstanding hedges as of 31 December 2022.

**Note 31. Pledged assets and contingent liabilities**

	Group		Parent Company	
	2022	2021	2022	2021
Bank guarantee, Swedish Customs	268	268	268	268
<b>Total pledged assets</b>	<b>268</b>	<b>268</b>	<b>268</b>	<b>268</b>

The company has no contingent liabilities.

**Note 32. Related-party transactions**

Related-party transactions recognized in the statement of comprehensive income

	Group		Parent Company	
	2022	2021	2022	2021
Revenue from Symrise (largest shareholder)	9,061	2,850	-	-
Expenses from Symrise (largest shareholder)	-303	-15	-303	-15

The purchase and sale of goods and services to and from related parties is conducted on normal market terms. There were no other related-party transactions during the reporting period. For information about board remuneration, see Note 10.

**Note 33. Subsequent events**

No significant events occurred after the balance sheet data.



# Five-year summary

Income statement (KSEK)	2022	2021	2020	2019	2018
<b>Net sales</b>	<b>618,285</b>	<b>658,180</b>	<b>717,165</b>	<b>626,192</b>	<b>604,117</b>
Cost of goods sold	-362,840	-370,173	-407,208	-334,546	-326,087
<b>Gross profit</b>	<b>255,445</b>	<b>288,007</b>	<b>309,957</b>	<b>291,646</b>	<b>278,030</b>
Sales and marketing expenses	-100,936	-88,931	-95,780	-105,113	-91,854
Research and development expenses	-38,348	-37,082	-36,347	-31,046	-32,728
Administrative expenses	-65,909	-54,443	-54,525	-45,989	-54,700
Other operating income/expenses	322	1,692	376	2,044	2,368
<b>Operating profit/EBIT</b>	<b>50,574</b>	<b>109,243</b>	<b>123,681</b>	<b>111,542</b>	<b>101,116</b>
Financial result	1,400	-1,804	-3,594	-2,019	-2,556
<b>Earnings before income taxes</b>	<b>51,974</b>	<b>107,439</b>	<b>120,087</b>	<b>109,523</b>	<b>98,560</b>
Income taxes	-11,352	-24,294	-27,394	-23,636	-22,310
<b>Net income</b>	<b>40,622</b>	<b>83,145</b>	<b>92,693</b>	<b>85,887</b>	<b>76,250</b>

Balance sheet (KSEK)	2022	2021	2020	2019	2018
Intangible assets	736,372	690,406	673,945	797,948	798,456
Tangible assets	212,352	166,678	103,076	107,320	29,162
Financial assets	80,867	101,502	53,060	6,008	1,530
Current assets	216,591	222,566	194,260	171,372	180,983
Cash and cash equivalents	323,706	251,017	215,552	206,960	199,299
<b>Total assets</b>	<b>1,569,888</b>	<b>1,432,169</b>	<b>1,239,893</b>	<b>1,289,608</b>	<b>1,209,430</b>
Equity	1,410,567	1,265,541	1,115,203	1,152,126	1,028,398
Provisions	13,833	13,359	3,906	-	-
Non-current liabilities	59,081	67,481	34,874	51,564	6,772
Current liabilities	86,407	85,788	85,910	85,918	174,260
<b>Total equity and liabilities</b>	<b>1,569,888</b>	<b>1,432,169</b>	<b>1,239,893</b>	<b>1,289,608</b>	<b>1,209,430</b>

Cash flow statement (KSEK)	2022	2021	2020	2019	2018
<b>Cash flow from operating activities before working capital changes</b>	<b>142,406</b>	<b>184,610</b>	<b>197,916</b>	<b>183,334</b>	<b>159,849</b>
Working capital changes	13,688	-30,415	-54,552	-9,723	-31,983
<b>Cash flow from operating activities</b>	<b>156,094</b>	<b>154,195</b>	<b>143,364</b>	<b>173,611</b>	<b>127,866</b>
Cash flow from investing activities	-64,589	-97,481	-96,402	-35,117	-14,039
Cash flow from financing activities	-29,308	-27,988	-27,687	-133,014	-74,113
<b>Net change in cash and cash equivalents</b>	<b>62,197</b>	<b>28,726</b>	<b>19,275</b>	<b>5,480</b>	<b>39,714</b>
Effects of changes in exchange rates	10,492	6,739	-10,683	2,181	4,038
<b>Total changes</b>	<b>72,689</b>	<b>35,465</b>	<b>8,592</b>	<b>7,661</b>	<b>43,752</b>
Cash and cash equivalents at 1 January	251,017	215,552	206,960	199,299	155,547
Cash and cash equivalents at 31 December	323,706	251,017	215,552	206,960	199,299

Key figures	2022	2021	2020	2019	2018
Gross margin, %	41.3	43.8	43.2	46.6	46.0
EBITDA, MSEK	136.3	182.5	196.5	183.4	154.9
EBITDA excl effect from IFRS 16, MSEK	120.2	168.2	181.6	168.7	154.9
EBITDA margin, %	22.0	27.7	27.4	29.3	25.6
EBITDA margin excl effect from IFRS 16, %	19.4	25.5	25.3	26.9	25.6
Average number of employees	168	178	170	165	163

Share data	2022	2021	2020	2019	2018
Earnings per share before and after dilution, SEK	3.57	7.30	8.14	7.54	6.69
Share price on closing day, SEK	204.00	397.50	422.00	222.00	360.00
Market capitalization on closing day, MSEK	2,324	4,529	4,808	2,529	4,102
Number of outstanding shares on closing day	11,394,125	11,394,125	11,394,125	11,394,125	11,394,125
Average number of outstanding shares	11,394,125	11,394,125	11,394,125	11,394,125	11,394,125

For definitions of key ratios, refer to page 80-82.

# Explanation of KPIs

## Definition of the alternative performance measures not defined in IFRS

The company presents some financial measures in the annual report that are not defined in IFRS. The company believes that these measures provide valuable supplementary information to investors and company management. Since not all companies calculate alternative performance measures in the same way, they are not always comparable with the measures used by other companies. However, these non-IFRS measures should not be considered substitutes for financial reporting measures prepared in accordance with IFRS.

The following alternative performance measures are presented in the annual report:

Currency: SEK 000s unless stated otherwise

## Net sales adjusted for currency effects

Net sales adjusted for currency effects is defined as net sales for the year translated at the preceding year's exchange rates and is used to measure underlying net sales.

Calculated as net sales for the year adjusted with the effect of the preceding year's exchange rates:

	2022	2021	2020	2019	2018
Net sales	618,285	658,180	717,165	626,192	604,117
Currency effects	70,014	-35,099	-14,551	-21,280	5,487
<b>Net sales adjusted for currency effects</b>	<b>548,271</b>	<b>693,279</b>	<b>731,716</b>	<b>604,912</b>	<b>598,630</b>

## Gross margin

Gross margin is defined as gross profit divided by net sales and is used to measure product profitability.

Calculated as gross profit divided by net sales:

	2022	2021	2020	2019	2018
Gross profit	255,445	288,008	309,957	291,646	278,030
Net sales	618,285	658,180	717,165	626,192	604,117
<b>Gross margin</b>	<b>41.3%</b>	<b>43.8%</b>	<b>43.2%</b>	<b>46.6%</b>	<b>46.0%</b>

## Operating profit/EBIT

Operating profit/EBIT is defined as net income before financial income and expenses and tax for the period and is used as a measure of the company's profitability.

Calculated as net income less financial income and expenses and tax:

	2022	2021	2020	2019	2018
Net income	40,622	83,145	92,693	85,887	76,250
Financial result	-1,400	1,804	3,594	2,019	2,556
Income taxes	11,352	24,294	27,394	23,636	22,310
<b>Operating profit/EBIT</b>	<b>50,574</b>	<b>109,243</b>	<b>123,681</b>	<b>111,542</b>	<b>101,116</b>

## Operating margin

Operating margin is defined as operating profit divided by net sales and is used to measure the company's profitability.

Calculated as operating profit divided by net sales:

	2022	2021	2020	2019	2018
Operating profit/EBIT	50,574	109,243	123,681	111,542	101,116
Net income	618,285	658,180	717,165	626,192	604,117
<b>Operating margin</b>	<b>8.2%</b>	<b>16.6%</b>	<b>17.2%</b>	<b>17.8%</b>	<b>16.7%</b>

## EBITDA

EBITDA is defined as operating profit/EBIT before depreciation/amortization and impairment and is used as a measure of the company's profitability.

Calculated as operating profit/EBIT increased with depreciation/amortization and impairment:

	2022	2021	2020	2019	2018
Operating profit/EBIT	50,574	109,243	123,681	111,542	101,116
Amortization, depreciation and impairment	85,682	73,285	72,780	71,891	53,821
<b>EBITDA</b>	<b>136,256</b>	<b>182,528</b>	<b>196,461</b>	<b>183,433</b>	<b>154,937</b>

## EBITDA excluding effect from IFRS 16

EBITDA excluding effect from IFRS 16 is defined as EBITDA excluding effects from the implementation of IFRS 16 and is used to compare EBITDA between periods.

Calculated as EBITDA less effects from IFRS 16:

	2022	2021	2020	2019	2018
EBITDA	136,256	182,528	196,461	183,433	154,937
Effects from IFRS 16	-16,095	-14,374	-14,836	-14,691	-
<b>EBITDA excluding effect from IFRS 16</b>	<b>120,161</b>	<b>168,154</b>	<b>181,625</b>	<b>168,742</b>	<b>154,937</b>

# Signatures for the annual report

## EBITDA margin

EBITDA margin is defined as EBITDA divided by net sales and is used to measure the company's profitability before depreciation/amortisation and impairment of tangible and intangible assets.

*Calculated as EBITDA divided by net sales:*

	2022	2021	2020	2019	2018
EBITDA	136,256	182,528	196,461	183,433	154,937
Net income	618,285	658,180	717,165	626,192	604,117
<b>EBITDA margin</b>	<b>22.0%</b>	<b>27.7%</b>	<b>27.4%</b>	<b>29.3%</b>	<b>25.6%</b>

## EBITDA margin excluding effect from IFRS 16

EBITDA margin excluding effect from IFRS 16 is defined as EBITDA excluding effects from the adoption of IFRS 16 divided by net sales and is used to compare the EBITDA margin between periods.

*Calculated as EBITDA excluding effects from IFRS 16 divided by net sales:*

	2022	2021	2020	2019	2018
EBITDA excluding effect from IFRS 16	120,161	168,154	181,625	168,742	154,937
Net income	618,285	658,180	717,165	626,192	604,117
<b>EBITDA margin excluding effect from IFRS 16</b>	<b>19.4%</b>	<b>25.5%</b>	<b>25.3%</b>	<b>26.9%</b>	<b>25.6%</b>

## Market capitalization on the closing date

Market capitalization on the closing date is defined as the share price at the end of the period multiplied by the number of shares outstanding and is used to measure the company's market capitalization at the end of the period.

*Calculated as share price at the end of the period multiplied by the number of shares outstanding:*

	2022	2021	2020	2019	2018
Share price at the end of the period	204.0	397.5	422.0	222.00	360.00
Number of outstanding shares	11,394,125	11,394,125	11,394,125	11,394,125	11,394,125
<b>Market cap on closing date, MSEK</b>	<b>2,324</b>	<b>4,529</b>	<b>4,808</b>	<b>2,529</b>	<b>4,102</b>

The Annual Report and consolidated financial statements were approved for issuance by the Board on 30 March 2023. The consolidated statement of comprehensive income and statement of financial position, as well as the Parent Company's income statement and balance sheet will be presented to the Annual General Meeting on 4 May 2023 for adoption.

The Board of Directors and CEO affirm that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and that they provide a true and fair view of the Group's financial position and earnings. The Annual Report has been prepared in accordance with gene-

rally accepted accounting standards and provides a true and fair view of the Parent Company's financial position and earnings.

The Directors' Report for the Group and Parent Company provides a true and fair overall account of the development of the Group's and Parent Company's business, financial position and earnings and describes significant risks and uncertainties facing the Parent Company and the companies within the Group.

The annual report also contains the statutory sustainability report in accordance with the requirements of the Annual Accounts Act and can be found on pages 28-41.

Lund, 30 March 2023

Jean-Yves Parisot  
*Chairman of the Board*

Jörn Andreas  
*Board member*

Charlotte Hansson  
*Board member*

Irène Corthésy Malnoë  
*Board member*

Malin Ruijsenaars  
*Board member*

Anita Johansen  
*Interim CEO*

Our audit report was submitted on 3 April 2023  
Ernst & Young AB

Peter Gunnarsson  
*Authorized Public Accountant*

# Auditor's report

To the general meeting of the shareholders of Probi AB (publ), corporate identity number 556417-7540

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Probi AB (publ) except for the corporate governance statement on pages 52-54 for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 46- 83 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 52-54. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our

audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

### Capitalized development cost

#### Description

Book value of capitalized development cost amounts to 24,8 MSEK in the consolidated statement of financial position and in the financial statement of the parent company per 31 December 2022. Development costs are recognized as assets from the date on which it is deemed that the project or activity to which they relate will lead to a technically and commercially viable product or lead in some other way to future economic benefit for the company. Capitalized development costs are subject to continuous depreciation. On a regular basis the company tests if events or changes in conditions indicate any impairment requirement. Impairment testing for projects are made through calculation of net present value of future cash flows. Projects lacking estimated future economic benefits are impaired. Forecasted future cashflows are based on assumptions of future revenues.

The initial recognition of capitalized development costs and the impairment tests performed are based on estimates and assessments applied by the company and represent significant amounts. We have thus determined capitalized development cost to represent a key audit matter.

A description of the accounting policies and important assumptions applied are included in note 2 and note 4. Note 14 contains information about the amounts of capitalized development cost, depreciation and impairment.

### How our audit addressed this key audit matter

During our audit we have evaluated and tested the company's process for assessing if an expenditure fulfills the criteria for being capitalized as development cost. We have also evaluated and tested the company's process for assessing indications of impairment and tested the impairment test, for example by review of the reasonableness of assumptions of future revenues. We have also examined whether the disclosures in the annual report are appropriate.

### Other intangible assets and shares in group companies

#### Description

Other intangible assets such as customer relations, technologies and goodwill amount to 711,6 MSEK in the consolidated statement of financial position and shares in subsidiaries amounts to 905,3 MSEK in the financial statement of the parent company per 31 December 2022. The company evaluates whether the book value of these assets exceeds its recoverable amount on an annual basis or upon indications of declining value. The recoverable amount is determined for each cash-gen-

erating unit through means of a calculation of net present value of future cash flows. Future cash flows are based on various assumptions by management such as development in earnings, growth, investment needs and discount rates.

Changes in assumptions have a major impact on the calculation of the recoverable amount and the assumptions applied by the company are therefore of great importance for the assessment if there are need for impairment. We have thus determined that the accounting of other intangible assets and shares in group companies represent a key audit matter.

A description of the impairment tests is included in note 17. Note 15 through 17 includes information about the amounts of cost, depreciation and impairment. Note 23 contains a specification of shares in subsidiaries including carrying amounts. A description of the accounting policies and important assumptions applied are included in note 2 and note 4.

### How our audit addressed this key audit matter

During our audit we have evaluated and tested the company's process for constructing the impairment test, for example by evaluating the accuracy of forecasts and assumptions made historically. With the support of our valuation specialists, we have examined the company's method and model for conducting impairment tests. We have evaluated and tested the company's sensitivity analysis and conducted independent sensitivity analysis for key assumptions. We have evaluated the chosen discount rate and assumptions on long-term growth with support of our valuation specialists. We have examined whether the disclosures in the annual report are appropriate.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-45 and 88-92. The remuneration report for the financial year 2021 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Managing Director

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-45 and 88-92. The other information also includes the remuneration report and were obtained before the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated

accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## Report on other legal and regulatory requirements

### Report on the audit of the administration and the proposed appropriations of the company's profit or loss

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Probi AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

[A separate list of loans and collateral has been prepared in accordance with the provisions of the Companies Act.]

#### Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among

other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

## The auditor's examination of the ESEF report

#### Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Probi AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

#### Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more

detail in the Auditors' responsibility section. We are independent of Probi AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of that the Esef report has been prepared in a valid XHTML format, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity, and cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 52-54 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Probi AB (Publ) by the general meeting of the shareholders on the 5 May 2022 and has been the company's auditor since the 2 May 2018.

Lund, 3 April 2023  
Ernst & Young AB

Peter Gunnarsson  
Authorized Public Accountant

# Board of directors



**Jean-Yves Parisot**  
Chairman of the Board

**Born:** 1964.  
**Education:** Bachelor of Economics, HEC Paris, and Veterinary Science, VetAgro Sup.  
**Background:** Chairman of the Board since 2015. President Taste, Nutrition and Health, a division of Symrise. Previous leadership roles at Air Liquide, Danisco, Rhodia, Rhône-Poulenc, Merial and Pfizer.  
**Other board assignments:** Chairman of the board of VetAgroSup.  
**Shares in the company:** -  
**Independent in relation to the company:** Yes  
**Independent in relation to major shareholders:** No



**Jörn Andreas**  
Board member

**Born:** 1980.  
**Education:** PhD in economics, Karlsruhe Institute of Technology (KIT), Karlsruhe.  
**Background:** Board member since 2019. President Scent & Care and Executive Board member Symrise AG. Jörn has experience from both a previous assignment as board member (2014-2016) at Probi and his position as CFO of the company (2017-2018). He has also worked for The Boston Consulting Group, Hamburg and Bayer AG, Leverkusen, Germany.  
**Other board assignments:** Blis Technologies  
**Holdings in the company:** -  
**Independent in relation to the company:** Yes  
**Independent in relation to major shareholders:** No



**Charlotte Hansson**  
Board member

**Born:** 1962.  
**Education:** M.Sc. in Biochemistry, Copenhagen University and Marketing Economist diploma from IHM.  
**Background:** Board member since 2017. Owner of Scandinavian Insight Consulting AB. Former CEO of MorgonTidig Distribution KB and Jetpak. Has previously served in leadership roles at Danzas ASG Eurocargo AB, Carl Zeiss AB and Beckman Coulter AB.  
**Other board assignments:** Chairman of the board of Link Top Holding A/S and vChain AB, member of the boards of Bergman & Beving AB, DistIT AB, Green Cargo AB, Senergia Nordic AB and Stena Trade & Industri AB.  
**Holdings in the company:** 500 shares  
**Independent in relation to the company:** Yes  
**Independent in relation to major shareholders:** Yes



**Irène Corthésy Malnoë**  
Board member

**Born:** 1958.  
**Education:** Doctor of Molecular Biology, University of Lausanne, and Master of Technology Enterprise, IMD Business School.  
**Background:** Board member since 2018. Former Chief Scientific Officer and member of the board of Nestlé Health Science, leadership roles with Nestlé Research Center and the Division of Gastroenterology, Lausanne University Hospital.  
**Other board assignments:** Mirai Foods.  
**Holdings in the company:** -  
**Independent in relation to the company:** Yes  
**Independent in relation to major shareholders:** Yes



**Malin Ruijsenaars**  
Board member

**Born:** 1971.  
**Education:** Bachelor of Human Resources from Lund University, Business Administration & Sociology from UC Berkeley (University of California), Master of European Studies from Brygge.  
**Background:** Board member since 2020. Head of talent management and company development at Grenspecialisten AB. More than 20 years of international experience in HR, business management, corporate governance, growth, strategy, CSR, establishment in new markets and communication.  
**Other board assignments:** Lime Technologies AB, Tretton37 AB.  
**Holdings in the company:** -  
**Independent in relation to the company:** Yes  
**Independent in relation to major shareholders:** Yes

# Senior Management



**Anita Johansen**  
Interim CEO and VP R&D

**Born:** 1972.

**Education:** M. Sc. Pharmacy, PhD Pharmaceutical Technology from University of Copenhagen, School of Pharmaceutical Sciences

**Background:** Anita Johansen joined Probi in April 2022 as Vice President R&D and assumed the role of Interim CEO in December 2022. Prior to joining Probi, Anita held different leadership positions within Ferrosan, Pfizer Consumer Healthcare; Novozymes OneHealth and USP Zdrowie. Anita brings extensive experience in product development of science based and consumer relevant supplements containing probiotics.

**Holdings in the company:** 15 shares



**Henrik Lundkvist**  
CFO

**Born:** 1977.

**Education:** M.Sc. Business and Economics, Lund University.

**Background:** Henrik Lundkvist was made CFO in 2019. He came to Probi from the GCE Group, a global gas equipment company, where he had served as CFO since 2015. He has previously held senior financial positions at E.ON Sverige AB and was an auditor at Ernst & Young.

**Holdings in the company:** 150 shares



**Shane Judge**  
VP Global Sales & Marketing

**Born:** 1968.

**Education:** B.Sc. Chemical Engineering, Iowa State University.

**Background:** Shane Judge joined the Probi team in 2020 as VP of Global Sales & Marketing. He has broad international experience in sales and marketing in the pharmaceutical and biotech sectors, with previous management roles leading teams that launched various brands. Before coming to Probi, he worked at Eli Lilly, The Medicines Company and Sunovion Pharmaceuticals.

**Holdings in the company:** -



**Basudha Bhattarai-Johansson**  
VP HR & Sustainability

**Born:** 1983.

**Education:** B.Sc. Psychology, Hood College.

**Background:** Basudha Bhattarai-Johansson was hired in 2020 as Vice President HR. She most recently worked for Bristol-Myers Squibb, a global biopharmaceutical company, where she served as HR director for the Nordic region. She previously held various Northern Europe HR positions at IQVIA (formerly IMS Health).

**Holdings in the company:** -

# Annual General Meeting

The Annual General Meeting (AGM) will be held on Thursday, May 4, 2023 at 15.00 at Elite Hotel, Ideon Gateway, Scheelevägen 27, Lund.

## Right to participate and postal voting

Eligible to participate are shareholders that are registered by Euroclear Sweden AB as shareholders regarding the conditions of Tuesday the 25th of April 2023 as well as by the latest on Thursday the 27th of April 2023 announced their intention of attending the meeting. A shareholder who has their shares nominee registered must temporarily register their shares in their own name at Euroclear Sweden AB to be able to participate at the meeting. This registration must be completed by the latest on Thursday the 27th of April 2023. This means that the shareholder must send his request to the nominee register in good time.

In accordance with the regulations in the Articles of Association, the Board has decided that shareholders in Probi shall be able to exercise their voting rights at the 2023 Annual General Meeting also by postal voting. Shareholders who wish to take

advantage of the opportunity for postal voting must, in addition to being entered in the Annual General Meeting share register and having registered their participation as above, use a postal voting form which is available on Probi's website, [www.probi.com](http://www.probi.com). The form for postal voting must be received by Probi no later than Thursday, April 27, 2023.

If shareholders intend to be represented by a proxy, the power of attorney and other authorization documents should be attached to the notification. Names of agents must be stated. Proxy forms are provided on the company's website, [www.probi.com](http://www.probi.com).

Further information about the AGM and the registration procedure for the AGM can be found in the notice convening the AGM.

## Financial calendar

<b>Interim report Q1, 2023</b>	April 26, 2023
<b>AGM for 2022</b>	May 4, 2023
<b>Record date for dividend</b>	May 8, 2023
<b>Payment date for dividend</b>	May 11, 2023
<b>Interim report Q2, 2023</b>	July 18, 2023
<b>Interim report Q3, 2023</b>	October 24, 2023
<b>Year-end report 2023</b>	January 26, 2024

## European Single Electronic Format (ESEF) - elements part of mandatory list of tags

Element	Information
Name of reporting entity or other means of identification"	Probi Aktiebolag
Principal place of business	Lund
Country of incorporation	Sweden
Legal form of entity	Aktiebolag
Description of nature of entity's operations and principal activities	Develop, manufacture, and promote products that stimulate the growth and/or regulate the natural microflora in humans and conduct other compatible operations
Name of ultimate parent of group	Symrise AG
Domicile of entity	Lund, Sweden
Name of parent entity	Symrise AG
Address of entity's registered office	Ideongatan 1A, 223 70 Lund
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period	N/A

The Annual Report is prepared in Swedish and translated into English. Should differences occur between the Swedish Annual Report and the English translation, the Swedish version shall prevail.

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Photo: Peter Westrup



