



Annual and sustainability report 2023



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 now a leading global probiotic company. 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 worldwide.

In-house production in GMP-certified facilities

Probi carries out its own processes of fermentation, formulation and production in facilities with GMP (Good Manufacturing Practice) certification. 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, based on science

Probi is a research-driven company and leads the way in development and innovation. Through a strong focus on science, 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 that have been published. Probi currently has nearly 400 approved patents.



LP299V® – among the most studied probiotic strains in the world

The story of LP299V begins in the 1980s, when a number of visionary researchers at Lund University began to investigate whether probiotics could contribute to improved clinical outcomes and recovery rates among critically ill patients. The project was successful and ultimately led to the patenting of *Lactiplantibacillus plantarum* 299v (LP299V®).

This formed the foundation of the global company that Probi is today. Researchers worldwide have continued to study the effects of the strain since then, and today, LP299V is one of the world's most clinically documented *L. plantarum* strain, with positive impact on gastrointestinal health and more. Over the years, Probi has gained expertise and expanded the product portfolio into new areas.

Probiotics


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

For a product to be defined as a probiotic targeting human health, therefore, it is necessary for its health effects to be demonstrated in clinical studies. At its core, this involves subjects consuming probiotics in a specified way and experiencing true, measurable benefit. It is extensive work that requires scientific tests and documentation before the product can be offered to consumers.

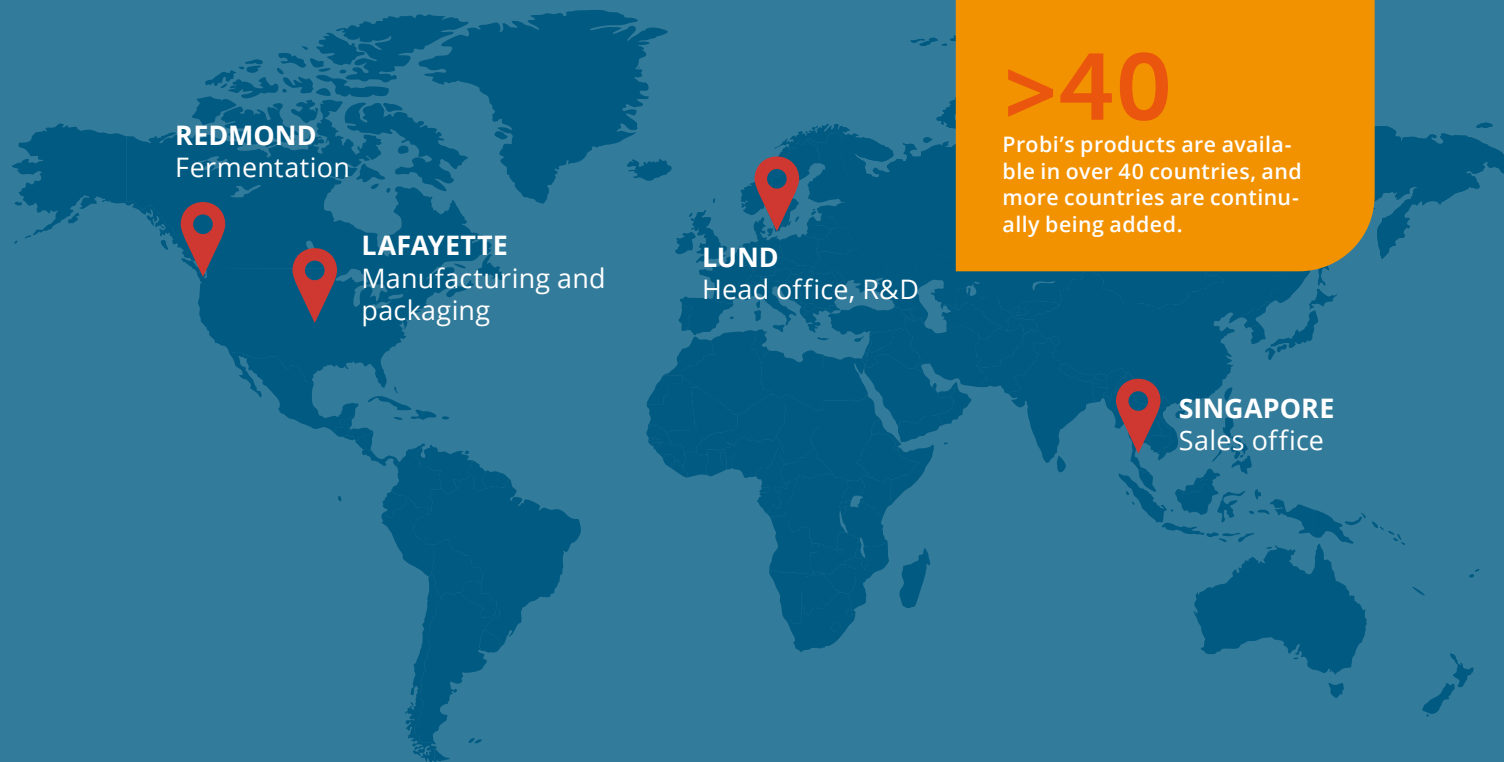
Today, probiotics are often used as dietary supplements and are added to a number of different food products, such as dairy products. Probiotic supplements are typically available as capsules, tablets and powders.

A broad product portfolio

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

-  Digestive health
-  Oral health
-  Iron absorption
-  Immune health
-  Senior health
-  Children's health
-  Women's health
-  Mental health
-  Bone health

A leading global probiotic company

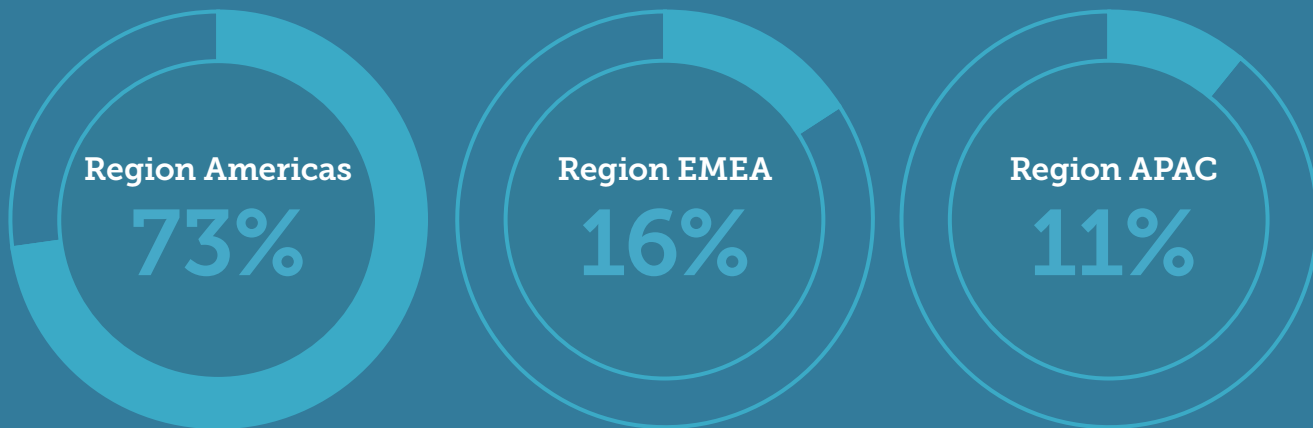


160
Probi had 160 employees at the end of 2023.

389
Probi has 389 patents worldwide.

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

Net sales 2023



The year in brief

- Q1**
- Probi established a new marketing organization, focusing on B2C operations in Sweden.
 - The company produced its first commercial batch of spore-forming probiotics.
 - Anita Johansen took over as new CEO.

- Q2**
- HEAL9™ was approved in Thailand, laying the groundwork for further expansion within APAC.
 - Probi took home distribution of its Probi® brand in Sweden and entered Norway with new pharmacy contracts.
 - The company entered a partnership with UK-based Clasado Biosciences for development of synbiotics.

- Q3**
- Probi became the exclusive distributor of the ingredients BLIS K12™ and BLIS M18™ in the US and Canada, as of August 1, 2023.

- A new clinical study in metabolic health demonstrated clear benefits of Probi's bacterial strains, opening up a new health area.
- A third clinical study of HEAL9™ strengthens evidence for enhanced cognitive performance and mental health.

- Q4**
- Probi announced new strategic focus areas as well as financial targets for 2024-2028.
 - The company launched Probi Sensia, a new concept for mental health, based on HEAL9™.
 - Per Lindblad joined Probi on November 1 as appointed CFO.

News during the year

Probi takes full control of the Probi® brand

With a high level of brand awareness, Probi is the market leader in the “dietary supplements with lactic acid bacteria” category on the Swedish market. The products are primarily sold in pharmacies, both online and in physical stores. Probi has had full ownership of the Probi brand and of our consumer product sales in Sweden since April 1, 2023.

The category “dietary supplements with lactic acid bacteria” has seen positive sales growth during the past year (+7.5%, Value, R12, December 2023, IQVIA), with Probi as the leading player, and we anticipate continued potential for positive growth. Probi was also launched on the Norwegian market during the year.

This year, Probi established a sales and marketing organization to manage B2C business and drive profitable growth. The organization is responsible for strategic brand marketing as well as management of the sales process, including distribution.

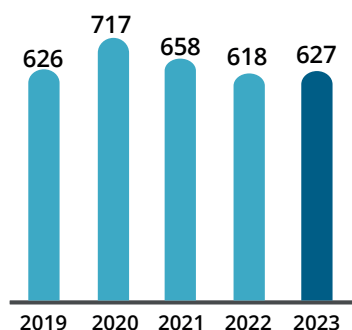
Taking full ownership means we can now focus on creating the proper conditions for a long-term brand and sales strategy at the consumer level.



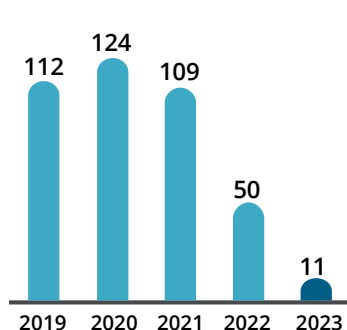
The year in figures

SEK m	2019	2020	2021	2022	2023
Net sales	626.2	717.2	658.2	618.3	627.7
Net sales growth, %	3.7	14.5	-8.2	-6.1	1.5
Currency-adjusted net sales growth, %	0.1	16.9	-3.3	-16.7	-2.0
Gross margin, %	46.6	43.2	43.8	41.3	35.1
EBITDA	183.4	196.5	182.5	136.3	107.5
EBITDA, %	29.3	27.4	27.7	22.0	17.1
Operating profit (EBIT)	111.5	123.7	109.2	50.6	11.3
Operating margin, %	17.8	17.2	16.6	8.2	1.8
Profit for the year	85.9	92.7	83.1	40.6	16.8
Earnings per share, SEK	7.54	8.14	7.30	3.57	1.48
Equity ratio, %	89	90	88	90	92

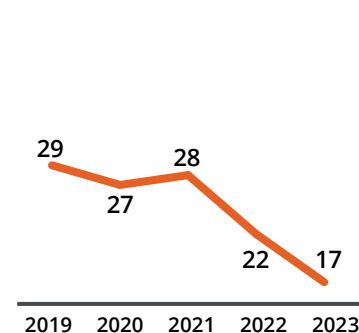
Net sales (SEK m)



Operating profit (SEK m)



EBITDA-margin (%)



Why you should invest in Probi

Market-leading pioneer in health

Probi combines scientific rigour with a passion for health, developing innovative, high-quality probiotic products that offer benefits and allow people worldwide to live healthier lives.



A growing market driven by major societal trends

Probi has a leading position in a growing market driven by major trends in a society with an ageing population and rising interest in health and scientifically proven microbiome solutions. For the foreseeable future, the market for probiotic dietary supplements is expected to grow steadily.



Competitive solutions and cutting-edge research

Through ownership of the entire value chain – from research and development to production, packaging and sales – Probi is able to offer differentiated and innovative solutions based on robust scientific evidence.



Products that promote well-being in society

Probi's products provide benefits and improve the well-being of millions of people around the world. For Probi, growth means better health for more people and correlates with UN Sustainable Development Goal 3, on good health and well-being.



Strong financial position and focus on growth

Probi has established a strong financial position and has good conditions for continuously developing the business and capitalising on opportunities on the market, regardless of short-term changes in the world. Probi's dividend policy is to have a dividend of 10-30% of net income.

Bolstered strategy and targeted initiatives form the basis of a new direction

A challenging, yet eventful year

This year has been both challenging and rewarding for Probi. At large, we have seen a generally weak underlying market in North America, which is our largest market, having considerable impact on our overall results. Moreover, our commercial efforts in EMEA saw a negative impact from a reduction of safety stock levels with some of our B2B customers as well as one-time effects associated with our transition to take over the Probi® brand in Sweden, establishing our own B2C operations. Since my appointment as CEO in the first quarter, we have also executed various operational changes and launched new strategic initiatives, including a dedicated optimization program in manufacturing – investing heavily into the future, as we are confident that these actions will gradually contribute to increased profitability. In APAC the growth was consistently strong throughout the year, totaling an impressive 26% increase, and we believe this positive trend will continue. Probi's overall net sales for 2023 were on par with the previous year, while the EBITDA margin declined from 22% to 17%.

However, we successfully achieved several key milestones in developing our commercial and organizational capabilities, placing us in a strong position for the years to come. First, we published new clinical studies adding further scientific weight to our commercial portfolio. We also launched new product

concepts in two rapidly growing segments – mental health and synbiotics – both representing high-interest areas where we see considerable commercial potential. I am very proud to add these new solutions to our portfolio, and I am confident that they will contribute to improved health and make a notable difference in people's everyday lives, which truly embodies our shared passion at Probi.

Additionally, we entered new strategic partnerships focused on product development and growth, established a B2C market organization in Sweden showing positive initial results, and extended our reach into Norway. We further strengthened our business case with more products in the US and Canada and received additional market approvals paving the way for further expansion in APAC. Overall, we have taken a big leap forward both commercially and operationally, refining how we operate and creating new opportunities for expansion.

Strategic initiatives for profitable growth with the world in mind

As we move forward, a systematic implementation of our new overarching strategy "Probi Reinforced" will play a crucial part in achieving our goals. Key focus areas in the revised strategic framework are centered around strengthening our commercial

“A clear purpose, strategy and direction, along with new products and strengthened operational capacity, will put us back on track with stable growth and better profitability.”

Anita Johansen
CEO



execution, continuing to pioneer science in our industry, and leveraging our unique business model to provide differentiated quality solutions – ultimately improving our overall efficiency and accelerating growth. Another key focus area is to foster a winning and sustainable culture based on a shared passion for probiotics. I am determined to build a healthy, thriving organization with a shared ambition to improve people's health and build a healthier planet.

To that end, we have also made significant progress in our sustainability efforts. During 2023, Probi's climate goals were validated by the Science Based Targets initiative (SBTi), and assessed to be in line with the Paris Agreement. Probi is committed, in accordance with scientific methods, to reduce its emissions significantly by 2030 and reach Net-Zero by 2050.

We will need time to gradually progress our ongoing optimization program and settle with new procedures and operational changes. Moreover, our new concept launches naturally have long sales cycles as they need to be carefully integrated with the customers' end products. For these reasons we do not expect to see immediate results from our efforts, although we believe there will be clear signs of improvement as the year progresses. At large, 2024 is likely to

be a neutral transitional year primarily focused on further stabilizing our business and restoring our profitability. We have set ambitious financial targets for 2024-2028 both in growth and profitability, and our ambition is to achieve a CAGR of 6% over the next five years and gradually increase the profitability to reach 25% EBITDA or above by 2028.

Confidently navigating towards a better future

To summarize, I am confident that the changes and investments that we have made this year will have a positive effect on Probi's commercial development for many years ahead. Clarity in our purpose, strategy and direction, alongside new product launches and enhanced operational capabilities, will bring the company back on the right path with stable growth and increased profitability. Our ambition to create a positive impact on people's lives around the world is more than just a corporate responsibility; it's a privilege that I cherish deeply, and I very much look forward to the continued journey ahead.

Anita Johansen
CEO

Probi – First in Probiotics





Business concept

Probi's business concept is to work closely with our customers to develop, produce, market and sell high-quality probiotics with scientifically documented health effects.

Business model

Probi is a leading global probiotic company. Its operations cover the entire value chain, from research and development to sales. Our customers are primarily leading global and regional health, pharmaceutical and food companies that sell and distribute to end consumers. Research, development and good consumer and market insights, paired with close cooperation with our customers, always form the basis for developing our products. We view our own manufacturing and packaging capacity as a competitive advantage, as we can offer our customers differentiated and customized high-quality products.



Leading research & clinical development

Research is the basis of Probi's operation. Our products and concepts are based on clinical research and scientific evidence. We are constantly exploring new health benefits among new and existing bacterial strains in order to continually expand our offering.



In-depth consumer & market insights

Our product development is based on close dialogue with our customers, knowledge and insights into the market regarding trends and consumer needs, as well as current research. This allows us to offer in-demand and cutting-edge solutions.



Customers and consumers

Production of high-quality, differentiated products

Probi is in charge of the entire chain, from fermentation and freeze-drying to manufacturing and packaging. Combining our own manufacturing capabilities with third-party partnerships allows us to create unique products and offer combinations of different probiotic strains, bulk solutions and pre-packaged products for consumers.



Innovative & experimental consumer formats

Customer needs and preferences vary based on target group and areas of use. We heavily emphasize customizing content and formats in order to create the best possible experience for the consumer. Probiotics are delicate organisms and to maintain their quality, it is essential to understand parameters such as temperature, humidity, product design, combined ingredients and packaging.



A sustainable business that fosters a healthier world

The heart of Probi's business is to help people live healthier lives, bearing in mind the planet and future generations. Our vision is to improve the well-being of people worldwide. Sustainability is a naturally integrated component of the company's business strategies, forming the basis of Probi's long-term business development. In 2023, the company's business strategy focus was reviewed, which resulted in a new and updated strategic direction.

The Probi sustainability framework

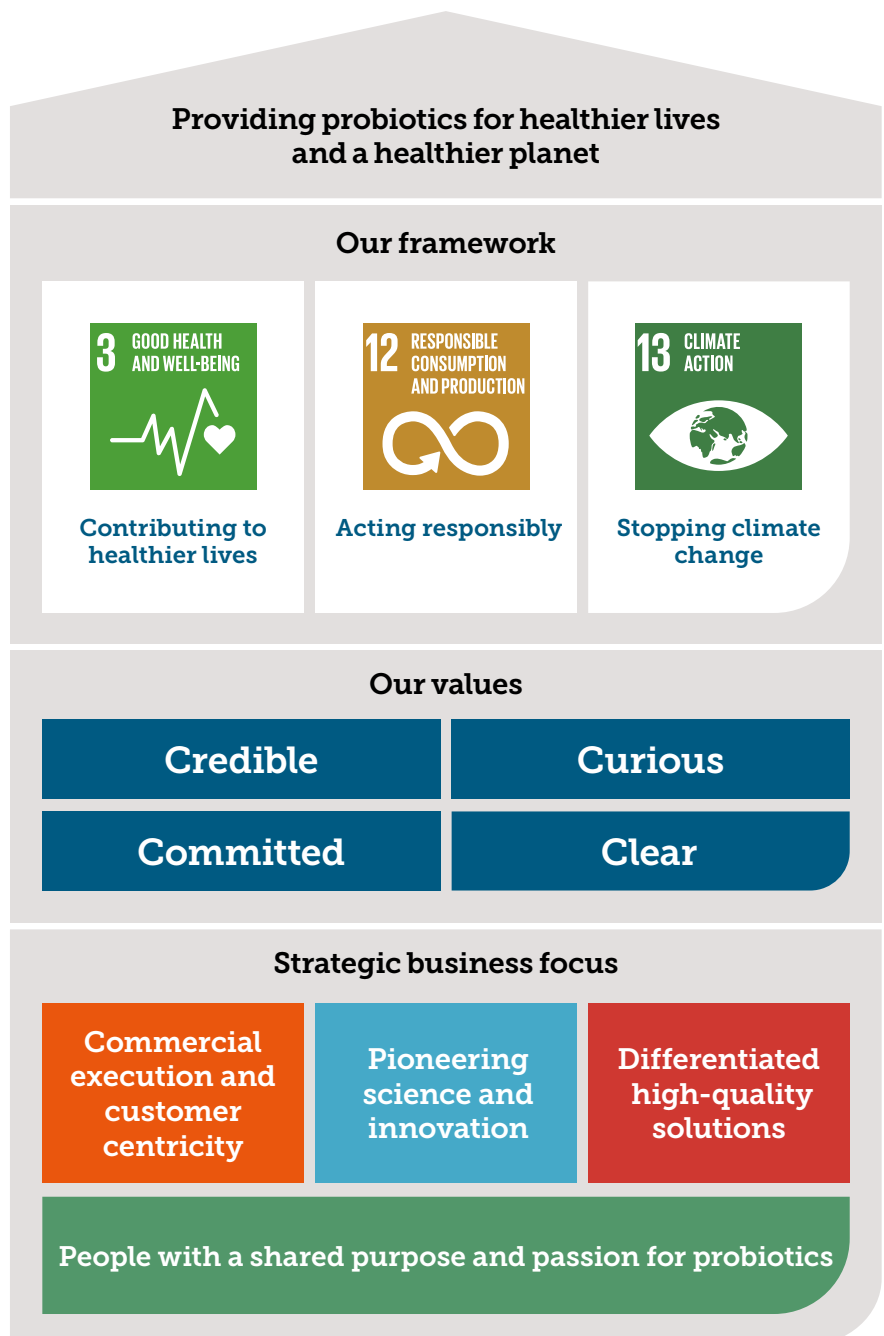
The starting point of Probi's sustainability strategy is the company's vision to improve the health and well-being of people throughout the world. Our core values and our sustainability framework, adopted in 2021, help us to systematically guide our work while ensuring our contribution to the UN Sustainable Development Goals for 2030. The key sustainability issues have been divided into three key areas of communication: Contributing to healthier lives, Stopping climate change and Acting responsibly. Read more about this on page 29.

Our core values: Probi's 4Cs

Probi's values stem from four core values that guide our daily activities: Credible, Curious, Committed, Clear. Read more about this on page 29.

Four strategic areas of focus

Probi's goal is the achievement of profitable, sustainable growth by focusing on four strategic areas: commercial execution with an emphasis on customers; continued advancements in science and innovation; our own production of differentiated and high-quality products, and the promotion of a strong, healthy organization with employees who are driven by a shared vision to better people's lives and health through probiotics. Collaboration with external partners in manufacturing, business operations and research and development constitutes an essential part of achieving our goal of profitable and sustainable growth.



Goals and goal achievement

Probi’s overall goal is to grow sustainably while achieving good profitability. We will leverage the competitive advantages of 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 2023
In late 2023, we set ambitious new financial targets for 2024-2028 and aim to achieve a CAGR of 6% over the next five years. For profitability we target to gradually increase EBITDA to 25% or higher by 2028.	Organic growth was -1.5% (-16.7%). -1.5%
2023-2024 will be a transition process to enable the targeted growth, hence modest expectations on growth and profitability short term.	The EBITDA margin was 17.1% (22.0%). 17.1%

Comments Per Lindblad, CFO

Overall sales of SEK 627m is up 1.5% vs LY, yet in constant currency sales is slightly down. 2023 has been a challenging year primarily caused by a softer market growth in the Americas but also by customers in EMEA which have reduced safety stocks. The APAC region performed very well with a 26% growth. Probi is excited by the outlook of our new product concepts Probi® Sensia and Synbiotics, yet financially the commercial traction will have a built-in delay versus our B2B launch. Focus is to re-gain sales growth for the years to come. The ongoing transition involves renewal of the executive leadership team as well as key positions. Also, we are investing external resources to gain improved efficiencies and unlock capacity to fuel future sales growth. Adjusting for these extraordinary investments the underlying EBITDA margin is higher than the reported.

Sustainability goals Sustainable growth and minimized ESG risks



Starting data collection and analysis

Target	Outcome 2023
Emission intensity (kgCO2eq per SEK)	Decrease compared to previous year (0.025). 0.017
Supplier Code of Conduct corresponding with 32% of Probi’s supplier expenditures	91% of suppliers to whom the Code of Conduct was sent signed it. 91%
Lost working time due to work accidents (in hours)	Increase compared to previous year (0). 80

Comments from Basudha Bhattarai Johansson, VP HR & Sustainability

In 2023, Probi meticulously followed its sustainability goals and demonstrated a commitment to efficiency and reduced emissions. We are proud to report a CO2 emissions reduction in both Scope 1 and Scope 3, which is in line with our commitment to environmental responsibility as well as our SBTi commitments. We also saw a decrease in emissions intensity compared to 2022, which is a testament to our ongoing efforts. Probi remains steadfast in its supply chain management and is making progress in ensuring compliance among suppliers with our Code of Conduct. Our support for good governance and social sustainability is clear in these initiatives. Through prioritization of workforce safety, we have refined our safety measures and noted a slight increase in safety metrics compared to the previous year. In all areas of our business, Probi confirms its commitment to sustainability.

**Launching
new concepts
to meet
increased
interest**



Globally, retail sales of probiotic dietary supplements were worth around USD 9 bn in 2023. Between 2023 and 2028, the annual average global growth rate is expected to be around 7.8% according to Euromonitor. 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 29% of the total market. According to Euromonitor, growth in the US will be slightly lower than growth globally, at around 3% per year between 2023 and 2028. 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.

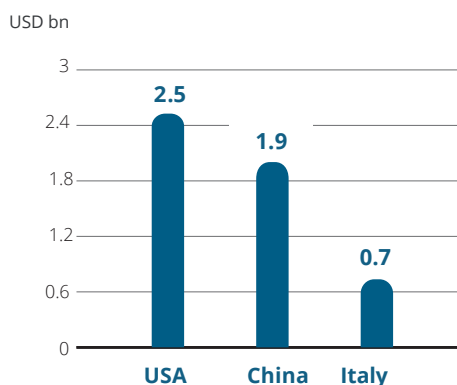
EMEA

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 5.1%. Italy is the world’s third largest market for probiotic supplements with sales of USD 731 m and the average annual growth rate is estimated to be around 4.8% between 2023 and 2028. Italy is also the country with the highest consumption of probiotic supplements per capita.

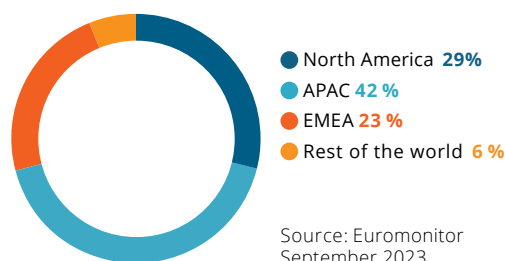
Asia and the Pacific region

The region is growing steadily and in 2023 accounted for nearly 42% 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 2023 and 2028. Other countries that have contributed to the growing market in the region are Hong Kong, India, Malaysia and Thailand.

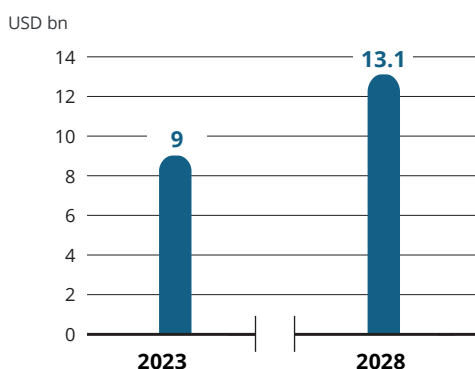
The world’s three largest markets for probiotic supplements in 2023



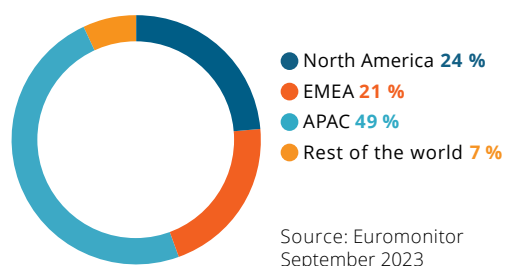
Distribution of sales of probiotic supplements in the world 2023



Total market for probiotic supplements



Distribution of sales of probiotic supplements in the world 2028*



*Based on Euromonitor’s prognoser for each region. Growth calculated in constant prices.

Probi® Sensia – a new mental health concept



Growing motivation to optimize mental health driving the market

Dietary supplements for mental health are among the fastest growing in the global market for dietary supplements. In a five-year period (2017-2021), we have seen growth of 30% in probiotic launches in Brain-Mood Health,¹ highlighting 'psychobiotics' as a rapidly growing trend.²

The link between the gut and neurocognitive function has been of significant interest in academic research in recent years. The primary areas of research were initially stress, anxiety and depression-like symptoms, but today, more and more research is being conducted on healthy individuals as the focus has shifted to finding solutions to the more 'everyday' problems that many people struggle with, such as poor sleep quality, mood swings and impaired cognitive function, for example with memory and focus.

Launch of Probi® Sensia

Probi Sensia is a new probiotic concept from Probi based on clinical and scientific data supporting improved cognition through enhanced learning and working memory, as well as improved mood and sleep. These cognitive functions are

important for strengthening overall mental health. Probi Sensia has been launched globally, and depending on the market, it can be combined with selected vitamins, minerals and other supplements to strengthen additional health claims in a given market. This concept is ideal for dietary supplement formats such as capsules, stick packs and functional foods, including drinks and powder products.

Probi Sensia is based on *Lactiplantibacillus plantarum* HEAL9 (HEAL9™), a well-documented probiotic strain. Three clinical studies and a total of four scientific papers have repeatedly shown that taking HEAL9™ has a positive impact on the so-called 'gut-brain axis'. The clinical results include reduced cortisol and stress-related inflammation in students who are chronically stressed but otherwise healthy, as well as reduced symptoms of depression and anxiety. Healthy individuals with moderate stress were evaluated in the latest publication. Improved memory and cognitive function, improved sleep quality, reduced daily dysfunction and improved mood were found after taking the HEAL9 strain.

1. Innova Market Insight (2022)

2. Lumina Intelligence (March 2022): The gut-brain axis: Psychobiotic opportunity in 25 countries



From probiotics to synbiotics – launch of two new offers

Interest and awareness in health and nutrition are on the rise, and consumers are seeking out ways to improve gut health, immune function and overall health.¹ A high level of awareness paired with increased marketing are the main drivers of demand for synbiotic products, and this growing awareness of health among consumers is expected to drive an estimated annual market growth of 8.3% from 2020 to 2027 globally.²

New synbiotic offers with Clasado

In 2023, Probi entered a partnership with Clasado Biosciences (“Clasado”), a company with outstanding research and development of prebiotics and the multi-award winning ingredient Bimuno® GOS. Probi and Clasado launched two new synbiotic solutions during the year, combining Probi’s most researched probiotic concepts with the most comprehensively studied galactooligosaccharide (GOS) prebiotic on the market.

In combination, Bimuno GOS and Probi Defendum® demonstrate a clear synergistic synbiotic combination, in which the probiotic strains of Probi Defendum selectively utilize the Bimuno GOS prebiotic for increased production of short chain fatty acids.

The combination of Bimuno GOS and Probi Digestis® demonstrate complementary mechanisms of action and enter the market as the most researched synbiotic ingredient combination, with extensive studies of both ingredients that span over 340 scientific publications together.

The synbiotic effects of probiotic and prebiotic products are frequently hypothesized, but they are rarely supported by scientific evidence. Probi and Clasado will continue to develop this area and further investigate synbiotic effects for Bimuno GOS combined with Probi’s probiotic strains.

1. FMI Synbiotics products market (June, 2022).

2. Synbiotic Product Market Size | Industry Growth Report, 2027 (<https://www.grandviewresearch.com/industry-analysis/synbiotic-product-market>).

Biotics – what is what?

The biotics category, which includes probiotics, prebiotics, postbiotics and synbiotics, is showing steady growth in the market: the number of biotics reviews online increased by 30% in the first half of 2023.

The data show increased use for achieving good health in general, but also for specific symptoms, which contributed to the overall increase.

Regarding growth in consumer engagement, gut health, immune health, women’s health and psychobiotics are examples of health areas demonstrating significant growth over time.

Although probiotic dietary supplements are still the most developed category,¹ Probi continues to investigate new ways to improve people’s health and well-being by continuously exploring new solutions and areas of health.

Prebiotics: A group of nutrients (often fibres and polyphenols) that are difficult for humans to digest and that the intestinal flora break down. They act as ‘fuel’ for the microbiota.

Probiotics: Live microorganisms that confer a health benefit on the host when administered in sufficient quantities.

Postbiotics: A preparation of inanimate microorganisms, and/or their components, that confers a health benefit on the host.²

Synbiotics: A combination of prebiotics and probiotics that either complement or reinforce (synergistic) each other’s effect. The combination should have a beneficial effect on the host.

1. Lumina Intelligence (October, 2023): Biotics H1 2023 Key Findings

2. ISAPP definition in infographic, based on Salminen et al., Nat Rev Gastroenterol Hepatol, 2021.doi:10.1038/s41575-021-00440-6

Desirable
products
made with
people in
mind



GOAL:
STRONG COMMERCIAL EXECUTION AND CUSTOMER CENTRICITY

Our vision is to contribute to the well-being of people worldwide. The company will grow sustainably over time. We are achieving this goal by optimizing our entire sales and delivery process with more products and health areas based on in-depth consumer insights and understanding of market needs and trends. A key component of this process is close, continuous dialogue with our customers about their needs.

A central part of Probi's business strategy is to be at the cutting edge and to offer customers innovative and in-demand products. As such, we heavily emphasize strengthening the customer experience and improving our customer understanding internally, throughout the organization. We maintain a close dialogue with our customers and monitor health trends and consumer patterns in the market in order to proactively identify and meet changing needs. The partnership with Clasado is a clear example where, through the collaboration, Probi has expanded its portfolio in the rapidly growing area of synbiotics. Another example of an area of health with significant growth potential is mental health, where Probi launched the new Probi® Sensia concept in the third quarter.

Probi currently has one of the market's most comprehensive portfolios of probiotic products. We intend to continue to strengthen our position in clinically well-documented probiotic strains, which is a less price-sensitive segment that is also characterised by longer-term contracts. Going forward, an additional prioritized focus area for Probi is to expand the base of large corporate customers in several different markets, which is expected to contribute to stable and more predictable development over time.

Sustainability



Good health and well-being

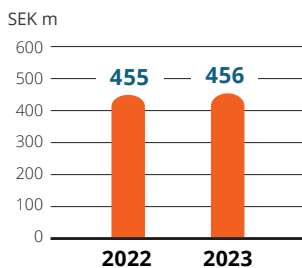
Millions of people suffer from health problems that can be improved with probiotics. Probi's growth strategy enables more people to have access to probiotics and thus improve their health.

What we achieved in 2023

- ✓ Probi launched a new spore-forming probiotic: *Weizmannia coagulans* GX-1. Unlike traditional probiotic strains, GX-1 shows good resilience and ability to remain viable in a variety of applications. GX-1 is ideal for manufacturing of food, beverage, confectionery and dietary supplement formats involving high temperatures or high water content.
- ✓ In partnership with Clasado Biosciences, Probi launched two new synbiotic solutions combining the scientifically proven prebiotic Bimuno® GOS with the extensively studied strains of Probi Defendum® and Probi Digestis®.
- ✓ Probi expanded its partnership with Blis Technologies and became the sole distributor in the North American market for the probiotic strains BLIS K12™ and BLIS M18™, which are used for their oral health benefits.
- ✓ Probi successfully established a Business-to-Consumer channel after taking back distribution of the Probi® brand in Sweden.
- ✓ Probi launched Probi Sensia, a new concept in cognitive health based on a strong clinically proven effect.

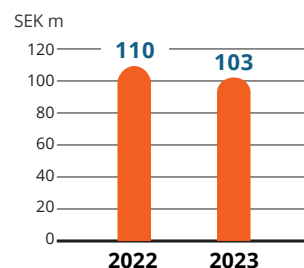
Sales per region

Americas



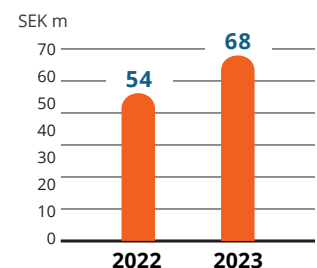
0%
Growth 2023

EMEA



-6%
Growth 2023

APAC



26%
Growth 2023

**Leading
research and
innovation
that
contribute to
better health**

GOAL:
**PIONEERING
SCIENCE AND
INNOVATION**

Probi has been a probiotics market leader for a long time, with scientific roots dating back to the mid-1980s with the first patent of LP299V®. Probi's clinical research has led to about 400 approved patents since then.

The company aims to create pioneering science and innovation. We will remain first in probiotics by ensuring a continuous pace of innovation that is relevant to the market, increasing our speed to market and continuously expanding our portfolio of clinically proven probiotic offerings. We also intend to evaluate the scientific benefits and growth potential of other biotics.

Thanks to the solid knowledge and scientific grounding found at Probi, we often receive offers of collaboration that lead to innovative research projects with both industry partners and independent university groups. Strategic collaborations with external partners are a key element of Probi's business strategy which, combined with our own development and manufacturing capabilities, allow us to offer customized, varied and scientifically proven products of high quality.



**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.

What we achieved in 2023

- ✓ Probi published the findings of the third clinical study on Probi's *L. plantarum* HEAL9 (HEAL9™) strain in the gut-brain area, in which the data showed significant improvement in cognitive performance.
- ✓ The results of a researcher-initiated clinical trial of Probi's proprietary strain *Lacticaseibacillus paracasei* 8700:2® conducted by researchers at the School of Public Health, Sun Yat-sen University in China, were published in Clinical Nutrition. They showed that daily intake of the probiotic has a significant impact on metabolic components in people with metabolic syndrome.
- ✓ Probi entered a science-driven partnership with Clasado Biosciences to explore opportunities related to the development of synbiotic pre- and probiotic combinations. Two synbiotic concepts have been developed that deliver either a synergistic synbiotic benefit (Bimuno® GOS and Probi Defendum®) or a complementary synbiotic benefit (Bimuno® GOS and Probi Digestis®).
- ✓ An independent expert panel concluded that *L. paracasei* 8700:2, *L. plantarum* HEAL9 (HEAL9™) and *L. plantarum* HEAL19 are generally recognized as safe (GRAS) for their intended use. Thus, all of Probi's ClinBac™ offerings have GRAS status. Additionally, we achieved self-confirmed GRAS for *Weizmannia coagulans* GX-1.
- ✓ The Thai FDA approved *L. plantarum* HEAL9 (HEAL9™) for use in foods and dietary supplements in Thailand. All of Probi's ClinBac™ strains are now authorized for use in Thailand. Furthermore, Probi's Osteo capsules have been approved by the Thai FDA.
- ✓ LP299V® capsules that contain vitamins have been authorized for sale in Vietnam.

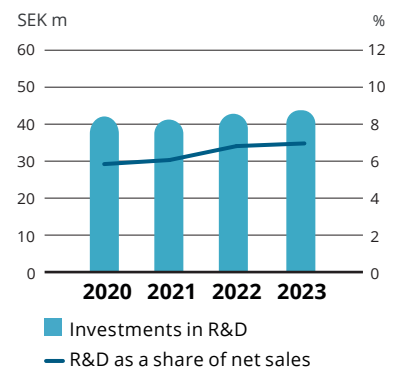
389

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

Number of clinical studies initiated by Probi, published during 2019-2023:

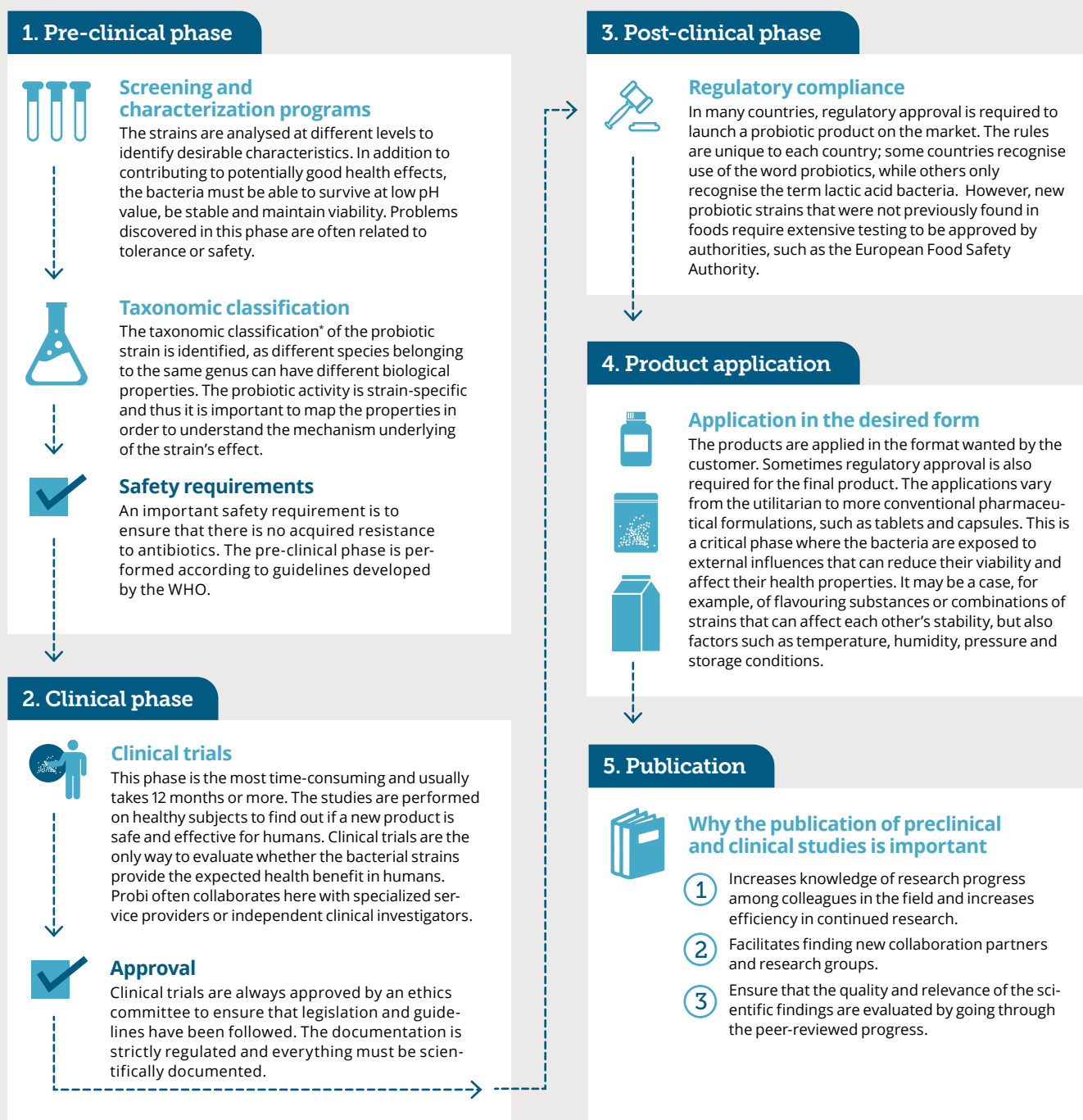
- 1** in gastric health
- 2** in gut-brain axis
- 2** in iron absorption
- 3** in immune health
- 1** in bone health
- 1** other

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 industry 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 (bacteria, in Probi's case) based on appearance, properties and genetics.

Metabolic health – increasingly important with global rise of illness

Metabolic diseases are a growing problem worldwide and may lead to obesity, inflammation and gut dysbiosis, among other conditions. Some countries have seen overweight and obesity reach epidemic levels, while the global prevalence of diabetes has exceeded 6% globally and lifetime risk of stroke is 25%. The most common causes of death worldwide are de facto related to metabolic conditions, with cardiovascular disease and diabetes among the main causes.

New clinical study shows clear benefits of Probi probiotics

A new study of metabolic syndrome carried out by researchers from the School of Public Health, Sun Yat-sen University in China, opens up the possibility of a new health area for Probi. Published in *Clinical Nutrition*, the study showed that daily intake of Probi's strain *Lactobacillus paracasei* 8700:2 significantly reduced the risk of cardiovascular disease through a positive impact on blood lipids and vascular function. The researchers also saw effects on body weight and BMI.

The study, which involved 130 people with metabolic syndrome, investigated the impact of daily intake of Probi's proprietary strain *L. paracasei* 8700:2 over three months on factors related to heart health, blood lipids and body weight.

Probi sees significant potential in the area of metabolic health and will therefore explore the possibilities of how probiotics can further support development of the area, which could have a positive impact on the lives of many people.



What is metabolic syndrome?

Metabolic syndrome (MetS) is a cluster of symptoms and conditions that increase the risk of cardiovascular disease, type 2 diabetes, stroke and related diseases. In general, five different symptoms or conditions characterise MetS, and patients can be diagnosed with MetS if they meet the criteria for three or more of these:

High blood sugar (insulin resistance): Indicates cells throughout the body are less responsive to insulin and thus pancreatic beta cells must increase production of insulin to achieve the same effect. Insulin is necessary for glucose, a dietary sugar, to be absorbed by our cells.

Low levels of HDL ('good') cholesterol: High-density lipoproteins (HDL) are a group of lipoproteins in the blood, i.e. particles composed of lipids, that serve to protect the heart. HDL transports lipids from the cells to the liver, where they can be removed from the body as a part of bile salts.

High triglycerides: Triglycerides (TG) are lipids that are formed from the food we consume. Not directly utilized energy from the food are stored as TGs, mostly in fat tissue. High levels of circulating TGs can cause plaque-formation in the arteries, known as atherosclerosis.

Large waist circumference: A larger waist size indicates adipose accumulation surrounding the internal organs, and possibly also excess fat stored in the organs themselves.

High blood pressure: Elevated blood pressure entails high pressure inside the arteries, which can harden artery walls and reduce blood flow. This contributes to atherosclerosis, vessel narrowing and reduced oxygen supply to the heart.

Source: American Heart Association and World Health Organization (WHO).

In-house production with unique flexibility and quality



**GOAL:
DIFFERENTIATED
HIGH-QUALITY
SOLUTIONS**

Probi is among the few fully integrated players on the market to have its own advanced production of probiotics. We are therefore well-positioned to offer unique and high-quality products according to specific customer needs, formats and market preferences, while allowing us to adapt operations and optimize processes according to prevailing needs.

Probi currently offers a large range of probiotic products through its internal manufacturing and in close collaboration with strategic partners. Controlling the full value chain allows us to ensure proper handling of our main raw material, our probiotics, and thus to feel confident that the products that reach end consumers are effective and high quality. It also allows us to be flexible and offer a wide variety of formats and combinations, which gives us a strong commercial competitive advantage. Our manufacturing capacity also allows us to balance market fluctuations with greater speed.

We have made significant investments in recent years in our production and manufacturing processes, and in 2023, we implemented a dedicated action programme to improve efficiency. 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.

What we achieved in 2023

- ✓ To support increased efficiency over time and track our performance improvements, new internal processes and work methods were implemented in manufacturing.
- ✓ Additional capital investments were made to optimize our production processes and manufacturing facilities.

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

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

Our manufacturing – an engine for business and innovation

Probi manufactures its products in-house at production facilities in Redmond, Washington and Lafayette, Colorado. Extensive investments have been made in recent years to improve and optimize the company's manufacturing processes, thus creating better conditions for producing probiotics efficiently.

This year, the company initiated a dedicated action programme to address the remaining challenges in the manufacturing process, focusing on improved efficiency.

In-house manufacturing is a significant long-term competitive advantage for Probi. Having our own production capacity ensures that we have control over our most important raw material, the probiotics. These living bacteria are highly sensitive to external factors such as temperature, physical handling and humidity.

Ownership of the entire value chain also allows Probi to offer customers a wide range of customized products and innovative concepts while remaining agile and quickly adapting to changes in the market.



How we manufacture our probiotics

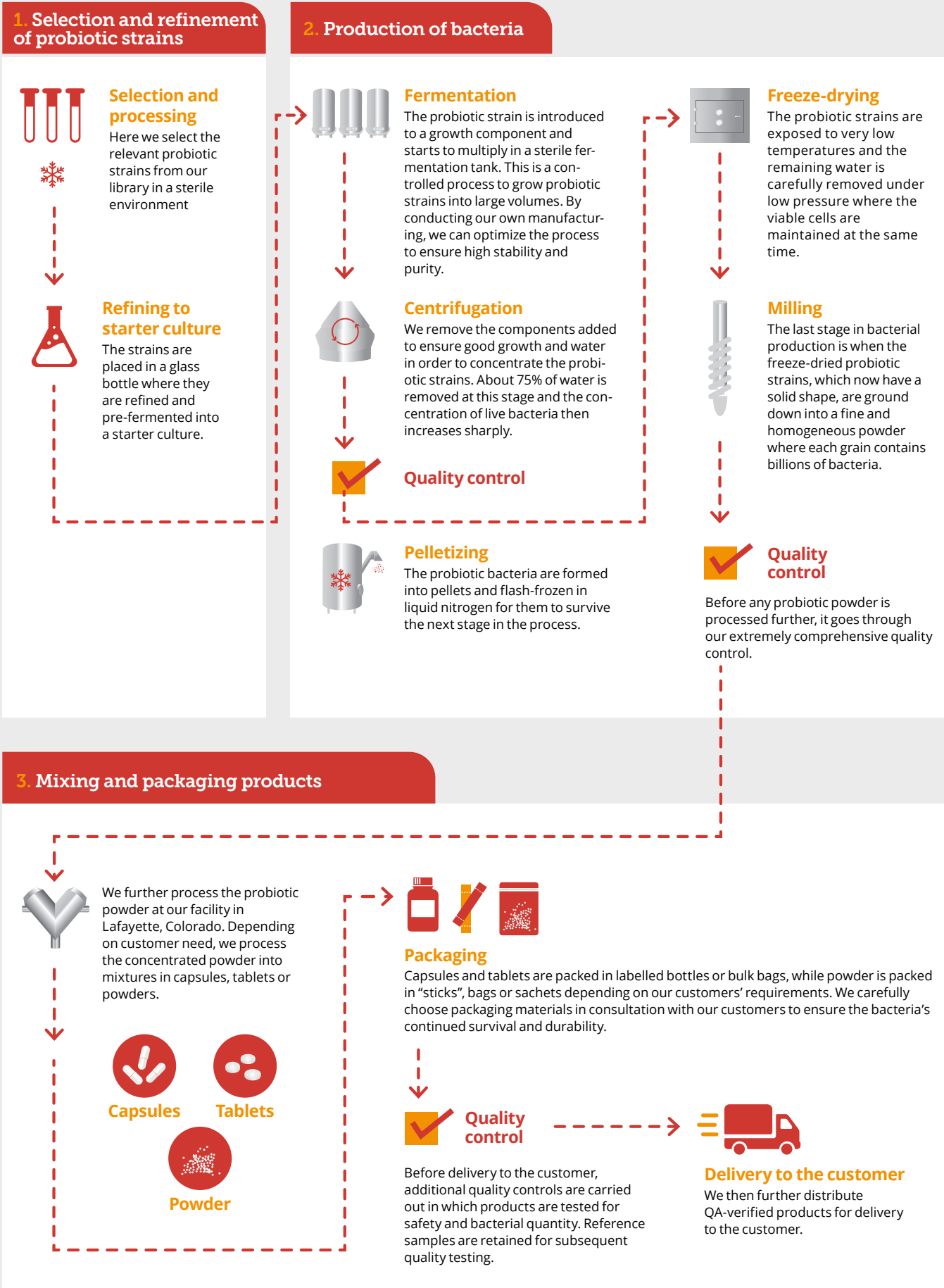
A complex process with many critical phases

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 begins 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 -60°C (-76°F).





Sustainability at Probi

The Probi sustainability report

This sustainability report refers to the financial year 2023 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 26-39 and the account of Probi's business model and its links to sustainability on pages 9-10.

Probi continues to prioritize health and well-being by focusing on sustainable activities. In 2023, the company doubled its efforts to create a profitable and sustainable future. This influences decisions, guides strategies and shapes the corporate culture. The goal extends beyond meeting the needs of stakeholders today; it is about ensuring a thriving future for all people. Placing the sustainability strategy at the core of our business ensures that it permeates every aspect of Probi.

Our main goal is to strengthen human health

At Probi, our mission is to promote healthy lives with probiotics. We believe that a company's role in society is connected to its social responsibility. Companies must take responsibility for both social and environmental values; this is crucial in today's world.

In 2023, Probi continued its mission to promote health and demonstrated a strong commitment to health, sustainability, well-being and innovation. Launching Probi® Sensia, a breakthrough psychobiotic, reinforces our focus on sustainable health solutions. This product improves mood, memory, sleep and learning ability while supporting holistic well-being and the UN Sustainable Development Goal for good health and well-being.

Clasado, our partner, led to the introduction of new symbiotic products in our portfolio: Bimuno® GOS and Probi Defendum® as well as Bimuno® GOS and Probi Digestis®. These products are the result of expertise from both companies and offer improved health while supporting sustainability goals for health and well-being.

By prioritizing health, well-being, sustainability and innovation, Probi promotes not only individual health, but also a healthier, more sustainable world. We are committed to attracting talent in order to remain a leader in probiotics research and industry.

Our business is focused not only on improving health and contributing to a thriving planet, but also on ethical business principles. We strive for long-term sustainability and competitive advantages that support our contribution to a healthier world. Profitability facilitates investments in research, improved manufacturing processes and creating innovative products. This ensures not only our long-term prosperity, but also our positive influence on a healthier world.

"Sustainability is at the heart of Probi's mission to improve health with probiotics. This commitment is reflected in our innovative products and ethical practices. We aim to have a positive impact on global health and to contribute to a sustainable world, and we believe that profitability and responsibility are intertwined for the good of society."

Anita Johansen
CEO Probi

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

The Board of Directors is responsible for the sustainability report for the year 2023 on pages 26-39 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, Sweden, 21 March 2024
Ernst & Young AB

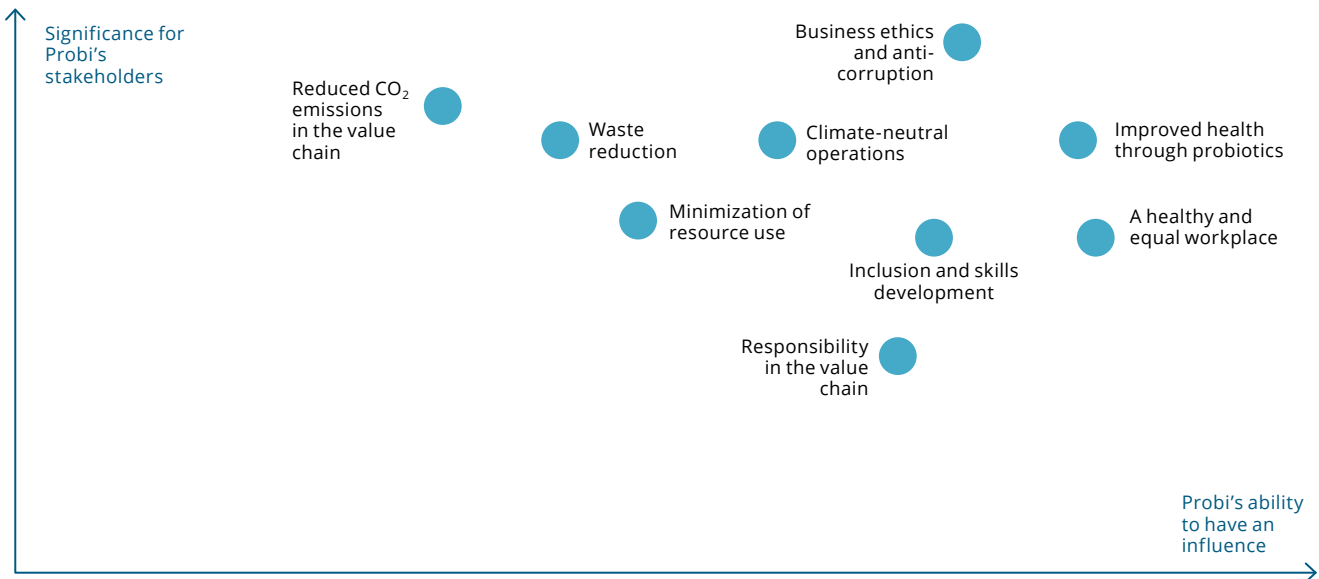
Peter Gunnarsson
Authorized Public Accountant

Our strategy is based on our stakeholders and UN goals



Probi's strategy is deeply rooted in our commitment to our stakeholders and to the UN Sustainable Development Goals. In 2021, we bolstered our sustainability initiatives and adopted a strategy in line with the UN's Global Goals for 2030. Our sustainability efforts are guided by key issues identified by our stakeholders and areas in which Probi can make a meaningful impact. These issues are categorized into three main areas: Contributing to healthier lives, Stopping climate change and Acting responsibly.

Materiality analysis results



Probi's stakeholders	IMPORTANT ISSUES	ANALYSIS
Consumers	Consumers appreciate suppliers that share their values and that endeavour to achieve clear sustainability goals, with a reduced carbon footprint. In 2023, Probi has started workin on a global sourcing policy that standardizes the company's guidelines for sustainable relationships with its supply chain.	At Probi, we value dialogue with our consumers and work to minimize emissions, waste and resource use from our operations. Through innovation and continuous investments in our products and production facilities, we aim to have a positive impact on social and environmental issues.
Customers/ Partners	Customers and partners want to work with suppliers who share their values and ambitions. They expect suppliers to have clear sustainability targets, to aim to minimize their carbon footprint and to be transparent about labour conditions. In 2023, Probi has started working on a global sourcing policy that standardizes the company's guidelines for sustainable relationships with its supply chain.	Probi's quality assurance team ensures that our contract suppliers meet our standards. In 2023, we started the work of a global sourcing policy to standardize our guidelines for sustainable relationships with our supply chain. This is consistent with our partners' desire for suppliers with similar values, ambitions and a minimized carbon footprint.
Employees	Employees value a safe working environment and good working conditions. They expect their employer to take a stand on social and environmental issues and to provide opportunities for skills development. Probi regularly reviews and assesses working conditions and promotes initiatives to improve employee health, safety and well-being.	Probi prioritizes the health and safety of its employees. We review and assess working conditions continuously and promote initiatives to support health, safety and well-being. In 2023, we worked on the implementation of ISO 45001 at our Colorado site, which further demonstrates our dedication to providing a physically and psychologically safe workplace.
Investors	Investors want returns, a strong brand and globally adapted products. They prioritize risk management, legal compliance and sustainability integration. Probi aims for a high ESG rating and a minimized risk profile in sustainability.	Probi monitors trends, consumer behaviours and demand for product content. Our pursuit of a high ESG rating and minimized sustainability risk profile matches investors' demands for returns, a strong brand and globally adapted products.
Society/ Government	Society and public institutions value businesses that generate job opportunities and stimulate local investments. There is also interest in the company's waste management. Probi complies with local laws, generates jobs and contributes to society through tax revenues.	Probi complies with the local laws and regulations of the countries in which we operate. Our growth generates jobs, promotes local investments and values the community. We are responsible for managing the company's waste conscientiously.

Our vision is to improve the health and well-being of people worldwide

Probi's sustainability strategy is based on improving global health and well-being. From probiotics research to manufacturing and partnerships, our daily activities already include meaningful initiatives. The strategy aims to integrate sustainability into all business areas, which is consistent with Probi's overarching strategy. Through our values (Four Cs), our sustainability initiatives propel us towards Probi's goals.

Our sustainability initiatives are structured around three primary areas, with specific ambitions, goals and action plans. This framework guides our efforts and ensures that we contribute to the UN Sustainable Development Goals for 2030. In 2023, Probi joined the Science Based Targets initiative (SBTi) and actively measures its three emissions scopes. We monitor and report our progress continuously.

Integrating the sustainability strategy into our corporate structure has made a focus on sustainability a central element of our business plan and strategy. We have introduced an 'Own It' culture, which fosters responsibility and ownership among all employees in order to achieve our shared goal. We have also reformulated one of our core values to reflect our dedication to sustainable growth and reinforce the central role of sustainability in our strategic vision. This ensures that every aspect of our business is focused on creating a healthier, more sustainable world.



Our culture and values

Probi's culture and values are not only the foundation of our business, but also the driving force behind the innovation we bring to customers and the value we generate for shareholders. Our processes are carefully structured around our 'Own It' culture and 'Four Cs' values and reflect our commitment to fostering a working environment that encourages growth, innovation and collaboration.

Credible

We are proud to have the most robust platform in the industry. We provide the market with pure and quality-assured materials. When customers use a Probi product, they feel confident that it delivers what it should: high quality, based on scientific research. We do our utmost to keep our promises and customer satisfaction a central focus for us.

Committed

Our customers and business partners can be certain of our full attention and support throughout the value chain. We take responsibility and know that help is available when needed. We own our actions, mistakes and results – Own it! We all have a role to play. If something comes up, we take responsibility for finding a solution.

Curious

We are curious and open to trying new work methods. We have a need to know more to fully understand and challenge the status quo, to ask questions, understand why, be interested and to never stop learning.

Clear

We encourage honesty between colleagues as well as management. We are clear in our discussions and in our requests. We are transparent and we build trust.

Contributing to healthier lives



KEY SUSTAINABILITY ISSUE	
IMPROVED HEALTH THROUGH PROBIOTICS	
Long-term ambitions	<ul style="list-style-type: none"> • By 2030, to boost the impact on well-being for all through access to scientifically proven probiotic products. • 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.
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> • Consumers who are not given facts (proven products), but are flooded with ineffective products from competitors. <p>Opportunities:</p> <ul style="list-style-type: none"> • Millions of people suffer from health problems that can be improved with probiotics. • Structured research and development contributes to science and documentation to demonstrate the health benefits of products to consumers. • Partnerships with top players in the health industry will generate awareness of Probi's high-quality probiotics.
How we manage our work at Probi	<ul style="list-style-type: none"> • Actions carried out in accordance with Probi's vision.
Initiative 2023, risk management	<ul style="list-style-type: none"> • R&D investment/turnover • Partnership with Clasado and introduction of synbiotics in our product portfolio. • Customer workshops in APAC. • Customer webinars. • Strong presence on various media platforms. • R&D in several new areas. • Handling e.g. changes in consumer trends, competition, operations subject to permits, • Delivery of goods and product liability. • A number of new customers.
Results in 2023	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>51%</p> <p>increased sales of ClinBac™ products in the Chinese market compared to 2022.</p> </div> <div style="text-align: center;"> <p>>40</p> <p>countries where Probi's products are sold.</p> </div> </div> <div style="margin-top: 10px;"> <p>0</p> <p>recall of products in 2023.</p> </div>
Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> • Improved health (consumers, society). • Mental health (consumers, society).

Probi's sustainability journey: Ethical behaviour, innovation and actions to reduce emissions

In 2023, Probi underwent a rigorous assessment by the Science Based Targets initiative (SBTi), a coalition comprising CDP, the UN Global Compact, the World Resources Institute and WWF. SBTi acts as an independent entity that assesses and approves the climate goals of companies, based on the latest scientific research. Probi's commitment to aligning its climate goals with SBTi's stringent criteria reflects the company's dedication to contributing to global efforts to limit the temperature rise to 1.5 degrees Celsius.

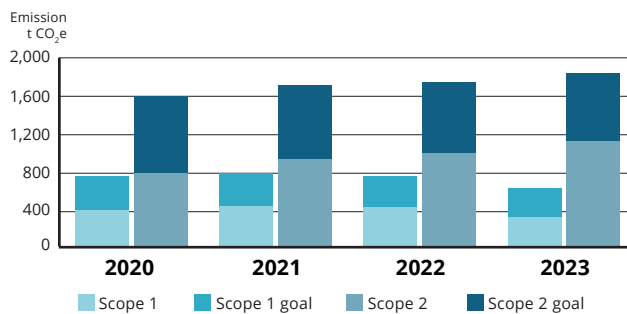
Probi's emissions overview: Scope 1 - Direct (e.g. fuel on-site), Scope 2 - Indirect (e.g. purchased electricity), Scope 3 - Broader value chain emissions.

We are committed to using scientific methods to significantly reduce emissions by 2030 and to achieve Net Zero by 2050. For 2023 we have shown decrease in Scope 1 and Scope 3 emissions vs the targets set. Scope 1 decreased by 27% vs 2022 emissions and landed at 1,13% lower than Scope 1 emission target for 2023. This was achieved by increased efficiency in natural gas usage. On Scope 3 we have reduced our emissions by 19% vs 2022 emissions and decreased emissions from purchased goods and services have contributed to this positive development. Our Scope 2 level is higher than our targets and this stems partly from variations in the ratio of internal production and purchased. Our Scope 2 emissions despite proactive efforts for reductions, signals the complexity of reconciling growth strategies with measures for reducing emissions. Probi's compliance with SBTi underscores the company's unwavering commitment to environmental sustainability. The company continues to persistently follow sustainable practices and to strategize around how to harmonise increased production with measures for reducing emissions throughout all operational areas of the company.

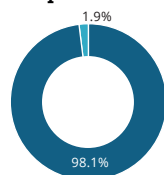
"Sustainability is deeply rooted in our work and the catalyst for our spirit of innovation at Probi. It keeps us focused on the customer and inspires us to create solutions for a better future."

Basudha Bhattarai Johansson, VP HR & Sustainability

SBTi Scope 1 and 2

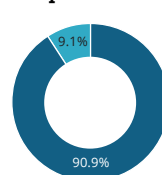


Scope 1



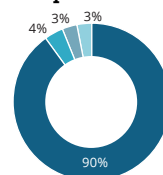
- Stationary combustion
- Mobile combustion

Scope 2



- Electricity
- Heat

Scope 3



- Purchased goods and services
- Fuel and energy
- Business travel
- Upstream transport

Acting responsibly



	KEY SUSTAINABILITY ISSUE																
	MINIMIZATION OF RESOURCE USE	RESPONSIBILITY IN THE VALUE CHAIN															
Long-term ambitions	To reduce resource use, especially water and energy, in manufacturing in the US.	By 2025, all of our suppliers will adhere to the established principles of safety, security and diverse and inclusive environments for employees.															
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> Unsatisfactory working conditions and unsustainable resource use by Probi's suppliers may have significant consequences on Probi's reputation and operations. 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. <p>Opportunities:</p> <ul style="list-style-type: none"> A clear commitment to the environment and human rights and Probi's impact on the greater world are fundamental to public trust in Probi's contribution to human health and well-being. This also has relevance to Probi's continued development and ability to retain and recruit the best talent, and to meet the demands of partners on suppliers like Probi. 																
How we manage our work at Probi	<ul style="list-style-type: none"> Climate and environmental policy. Global travel policy. Public procurement guidelines. 	<ul style="list-style-type: none"> Supplier Code of Conduct. 															
Initiative 2023, risk management	<ul style="list-style-type: none"> Upgrade program in Redmond, Washington. 	<ul style="list-style-type: none"> Probi's regular audits of contract suppliers. In 2023, the Code of Conduct was sent out to all contract suppliers and the other largest suppliers for signature. 															
Results in 2023	<p>WATER CONSUMPTION</p> <table border="1"> <thead> <tr> <th></th> <th>Megaliters</th> <th>Index 100¹</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>31.72</td> <td>100</td> </tr> <tr> <td>2021</td> <td>20.18</td> <td>69</td> </tr> <tr> <td>2022</td> <td>18.79</td> <td>80</td> </tr> <tr> <td>2023</td> <td>16.91</td> <td>61</td> </tr> </tbody> </table> <p>¹ Megaliters in relation to produced probiotic culture in KG in Probi USA, with 2020 as baseline average.</p>		Megaliters	Index 100 ¹	2020	31.72	100	2021	20.18	69	2022	18.79	80	2023	16.91	61	<p>91%</p> <p>of suppliers to whom the Code of Conduct was sent signed it. This work will continue in 2024 and beyond.</p>
	Megaliters	Index 100 ¹															
2020	31.72	100															
2021	20.18	69															
2022	18.79	80															
2023	16.91	61															
Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Probi takes great responsibility for social and environmental issues (consumers, partners, society, employees). Probi does not tolerate any form of corruption and supports strategic measures for good governance. 																



	KEY SUSTAINABILITY ISSUE	
	A HEALTHY AND EQUAL WORKPLACE	ANTI-CORRUPTION, ETHICS AND INTEGRITY
Long-term ambitions	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.
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> 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. Cases of corruption generally have a negative effect on business opportunities in society and would damage Probi's reputation and business position. Unethical management of clinical trials damages the Probi brand and confidence in the company. <p>Opportunities:</p> <ul style="list-style-type: none"> 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. 	
How we manage our work at Probi	<ul style="list-style-type: none"> Whistleblowing function. Code of Conduct. Diversity policy and Discrimination policy. 	<ul style="list-style-type: none"> Whistleblowing function. Anti-corruption policy. Third Party Management Manual. Insider policy. Code of Conduct. Employee training.
Initiative 2023, risk management	<ul style="list-style-type: none"> Training in Code of Conduct, diversity policy. Processes and routines ensure the fair treatment of all employees. Action plan with measures in the event of discrimination. Manufacturing facilities comply with OSHA (Occupational Safety and Health Administration) standards. 	<ul style="list-style-type: none"> Clinical trials are conducted in accordance with ICH/Good Clinical Practice (GCP), the EU Clinical Trials Directive and applicable national law. Employee training. Implementation of a new whistleblowing system.
Results in 2023	<p>80 lost work hours due to occupational injuries.</p> <p>Gender distribution</p> <p>Total employees</p> <p>↑48% Men ↓52% Women</p> <p>Management team</p> <p>↑50% Men ↓50% Women</p> <p>Managers</p> <p>↑49% Men ↓51% Women</p>	<p>0 No one used the Probi whistleblowing channel in 2023.</p> <p>96% of Probi's employees signed the company's internal Code of Conduct. New code of conduct was launched in December 2022. Signing continued in 2023.</p> <p>100% of Probi's new employees in selected departments completed the annual insider policy training.</p>
Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Probi takes great responsibility for social and environmental issues (employees, customers, consumers, partners, society). 	



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, gender equality and business ethics. 96% of employees have signed the Code of Conduct and it is included in the induction package for new employees. The document is available in Probi's internal network for employees.

Human rights

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

Purchasing, suppliers

We understand that our reputation and business depend on our suppliers' sustainability practices. Unsatisfactory working conditions and unsustainable resource use can impact our business relationships, product quality, the environment and ultimately our profitability. To ensure that our suppliers meet Probi's standards, our quality assurance team conducts rigorous audits. As part of this process, suppliers complete a 'Supplier Survey' that focuses on sustainability aspects.

In 2021, we introduced a separate Supplier Code of Conduct, and in 2023, we continued to work with additional suppliers, corresponding with 32% of supplier expenditures, to obtain their signatures. The cooperation has made significant progress and so far, 91% of surveyed suppliers have signed our Code of Conduct. This commitment to sustainable supply chain management is a key part of our strategy for the environment, social responsibility and good corporate governance (ESG).

Anti-corruption

Any cases of corruption could damage Probi's reputation. Corruption incidents also pose a significant risk to Probi's reputation, business and financial position. To mitigate this risk,

Focus on employees

At Probi, we value our employees and work to support their well-being. An example of this commitment is our renewed insurance plan in the US.

By adapting the plans to the various needs and life stages of our employees, we ensure not only their security, but also that our investments are financially sustainable and consistent with our ESG goals.

We have also taken important steps towards fair pay, confirmed through an analysis of living wages for our US employees, the results of which show that everyone earns above the living wage. Our safety culture is also a priority and is confirmed by the ongoing ISO 45001 certification of our Colorado facility, demonstrating our commitment to a safe and healthy work environment.

we have implemented an Anti-Corruption Policy to prevent, deter and detect corruption. The policy applies to all Probi employees, including managers, executive officers and board members. We provide extensive annual anti-corruption training to ensure that our team is equipped with the knowledge to maintain our policy. 94% of our employees completed this training in 2023, demonstrating our commitment to maintaining a corruption-free environment. We will continue with this training in the future to maintain the high level of expertise and to continue with ethical business practices in our organization.

Whistleblowing function

Probi took a significant step to improve transparency and accountability by upgrading our whistleblowing system in 2023. This upgrade complies with the new EU directive and provides enhanced anonymity and security for whistleblowers. Our system, which is accessible to all stakeholders, facilitates the reporting of serious problems and suspected irregularities through encrypted channels to a third party. In 2023, no cases were reported via the whistleblowing function.

A healthy and equal workplace

Diversity & Gender Equality

At Probi, we are committed to promoting a culture of fairness, equality and diversity. Our Code of Conduct and diversity policy serve as the basis of this commitment, which ensures that all employees are treated fairly and given equal opportunities, regardless of ethnicity, social or national origin, skin colour, disability, gender, sexual orientation, religion, political views, pregnancy or age. We respect the rights of our employees to freedom of association and negotiation and have zero tolerance for harassment.

Our focus on social sustainability is reflected in our proactive approach to handling discriminatory treatment. We have an action plan setting out the measures we take, depending on the nature of the situation.

We believe that diversity and inclusion are key drivers of innovation and essential to meeting our customers' needs and

being an attractive employer. We strive for equality in employee development, pay review and parental leave and endeavour to achieve as equal a gender balance as possible across various positions.

In accordance with the Swedish Corporate Governance Code, our Nomination Committee has applied a diversity policy in preparing its proposal for the Board of Directors. The Committee strives for an appropriate composition, characterised by diversity and breadth of expertise, experience and background among proposed members, as well as even gender distribution.

Health and well-being

Probi endeavours to improve health and well-being through products and a healthy work environment. We ensure physically safe workplaces, following IKEM in Sweden and global guidelines. Our 'Own It' culture mentally fosters responsibility, collaboration and innovation.

Financially, we offer fair pay, benefits, living wages and flexible insurance plans. In 2023, we conducted a living wage analysis for our workforce in the US to ensure that all of our employees earn above the living wage. We also upgraded our insurance plans in the US to offer our employees more options and flexibility.

We regularly review our organization, offer health benefits and cover health insurance premiums. We encourage activities that strengthen society and the work culture.

Occupational health and safety

At Probi, safety is fundamental and a key part of our commitment to social sustainability. Our production facilities follow stringent OSHA standards and have robust safety systems. Monthly safety meetings and a global safety policy enable us to identify, resolve and review safety issues. We continuously improve our safety training in order to create a safe workplace. Our focus is on protecting employee well-being and creating a safe, productive work environment. We are also implementing significant safety improvements in our laboratory in Lund to ensure even safer working conditions and to minimize waste.

42 years old

Average age

112

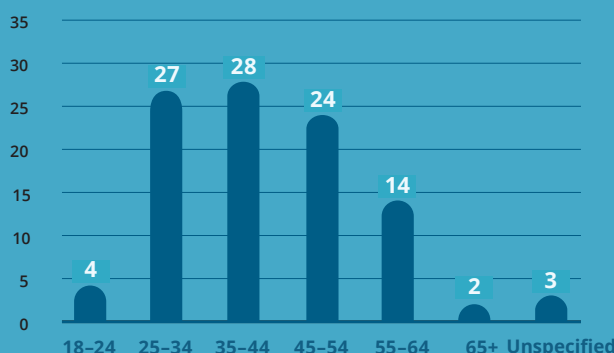
New hires

34.8%

Employee turnover*

*Voluntary redundancies, cf. 45.8% for 2022.

Age distribution of employees as of 12/31/2023, in %



Stopping climate change



KEY SUSTAINABILITY ISSUE

REDUCED CO ₂ EMISSIONS THROUGHOUT THE VALUE CHAIN	CLIMATE-NEUTRAL OPERATIONS	WASTE REDUCTION
--	----------------------------	-----------------

Long-term ambitions	<ul style="list-style-type: none"> Do our utmost to halve emissions in our operations and value chain by 2030. Reduce energy consumption per manufactured product. 	Achieve net zero or negative climate emissions by 2040, but no later than 2050.	By 2030, reduce waste in operations significantly through prevention, reduction, recycling and reuse.																																								
Risks and opportunities	<p>Risks:</p> <ul style="list-style-type: none"> The world faces a threat to the climate that will increase vulnerability and health risks among the poorest and worsen living conditions for future generations. Probi's main source of climate emissions is manufacturing at the facilities in Redmond, WA and Lafayette, CO. The climate threat may affect the price and availability 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. <p>Opportunities:</p> <ul style="list-style-type: none"> Protection of the climate and environment constitutes an area of focus for all of our existing and potential partners, and Probi's commitment and follow-up are prerequisites for growth. For a growing number of consumers, a clear commitment to the environment, i.e. the climate, waste management, etc. among employers and suppliers is a condition for their employment or encouragement to make a purchase. 																																										
How we manage our work at Probi	<ul style="list-style-type: none"> Environmental policy. 	<ul style="list-style-type: none"> Environmental policy. 	<ul style="list-style-type: none"> Production systems and processes. 																																								
Initiative 2023, risk management	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 climate 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.																																								
Results in 2023	<p>FREIGHT EMISSIONS</p> <table border="1"> <thead> <tr> <th></th> <th>Air (tCO₂e)</th> <th>Road (tCO₂e)</th> <th>Total (tCO₂e)</th> <th>Index¹⁾</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>1,164</td> <td>47</td> <td>1,211</td> <td>1.958</td> </tr> <tr> <td>2023</td> <td>1,450</td> <td>48</td> <td>1,498</td> <td>2.387</td> </tr> </tbody> </table> <p><small>¹⁾Tonnes of CO₂e in relation to net sales.</small></p> <p>ENERGY CONSUMPTION</p> <table border="1"> <thead> <tr> <th></th> <th>Electricity (kWh)</th> <th>Heat (Therms)</th> <th>CO₂ (ton)</th> <th>Index 100²⁾</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>2,283,394</td> <td>67,758</td> <td>1,112</td> <td>100</td> </tr> <tr> <td>2021</td> <td>2,595,441</td> <td>74,326</td> <td>1,288</td> <td>126</td> </tr> <tr> <td>2022</td> <td>2,768,610</td> <td>81,193</td> <td>1,397</td> <td>172</td> </tr> <tr> <td>2023</td> <td>3,352,845</td> <td>114,431</td> <td>1,120</td> <td>116</td> </tr> </tbody> </table> <p><small>²⁾CO₂ tonnes in relation to produced probiotic culture in KG in Probi USA, with 2020 as baseline average.</small></p>				Air (tCO ₂ e)	Road (tCO ₂ e)	Total (tCO ₂ e)	Index ¹⁾	2022	1,164	47	1,211	1.958	2023	1,450	48	1,498	2.387		Electricity (kWh)	Heat (Therms)	CO ₂ (ton)	Index 100 ²⁾	2020	2,283,394	67,758	1,112	100	2021	2,595,441	74,326	1,288	126	2022	2,768,610	81,193	1,397	172	2023	3,352,845	114,431	1,120	116
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Stakeholder value creation and Probi's contribution to the UN Global Goals	<ul style="list-style-type: none"> Probi takes responsibility for its climate impact and also takes action to minimize it (consumers, society). Compliance with current and future laws (investors, risk perspective). Increased competitiveness and long-term survival of the business (customers, society, employees, investors). 																																										

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

Energy and water consumption, greenhouse gas emissions and waste

At Probi, we are dedicated to promoting sustainability and innovation throughout our value chain. We evaluate our processes continuously, for the purposes of streamlining and digitalising different areas of our business. This includes digital meetings when in-person meetings are unnecessary, a practice that was particularly effective during the Covid-19 pandemic.

As a B2B company with international operations, business travel by air is occasionally necessary for exhibitions, trade fairs and meetings with clients. To ensure that we travel responsibly, we have established an updated travel policy.

We use professional carriers with efficient transport systems to transport our products to customers. This allows us to use more efficient means of transport and to reduce our environmental impact. In 2023, we implemented innovative solutions to shorten and modify the distance our raw materials are transported for production, which reduces emissions while enhancing operational and financial responsibility.

Our production facilities in Redmond, WA and Lafayette, CO are GMP certified and hold all licences required under US environmental legislation. Regarding resource consumption, electricity and gas are primarily used in manufacturing, while water is primarily used in the fermentation process at our production facility in Redmond. At the facility in WA, we have conducted an independent audit of our energy consumption and initiatives are underway to help us further reduce our emissions. Our manufacturing facilities use a mixture of renewable energy sources in production, further reducing the level of emissions. Our offices in Lund are powered entirely by fossil-free electricity, resulting in zero emissions from them.

Our selection of suppliers for larger items is limited in our probiotics industry. But for other items, where we have greater flexibility, we ensure meticulous selection so that our suppliers align with our values and operate in accordance with sustainable principles. This dedication to sustainability and innovation is evidence of our 'Own It' culture and its impact on our operations.

Donation agreement with the University of Zimbabwe

At Probi, we endeavour to improve health and well-being through community engagement. In 2023, our collaboration with the University of Zimbabwe progressed from an exchange programme for medical students to a formal donation agreement.

Inspired by one of Probi's founders, Professor Bengt Jeppsson, this agreement provides support for education, medicines and hospital equipment.

The donation helps to strengthen the hospital's IT capacity and infrastructure, as well as trauma and life support. It also allows students to participate in training and conferences.

This collaboration is an embodiment of our commitment to social sustainability and our 'Own It' culture, in which we take responsibility and promote cooperation. It demonstrates our dedication to making a positive impact on global health and well-being, beyond the activities we conduct directly.

The Probi value chain

Probi's commitment throughout the value chain

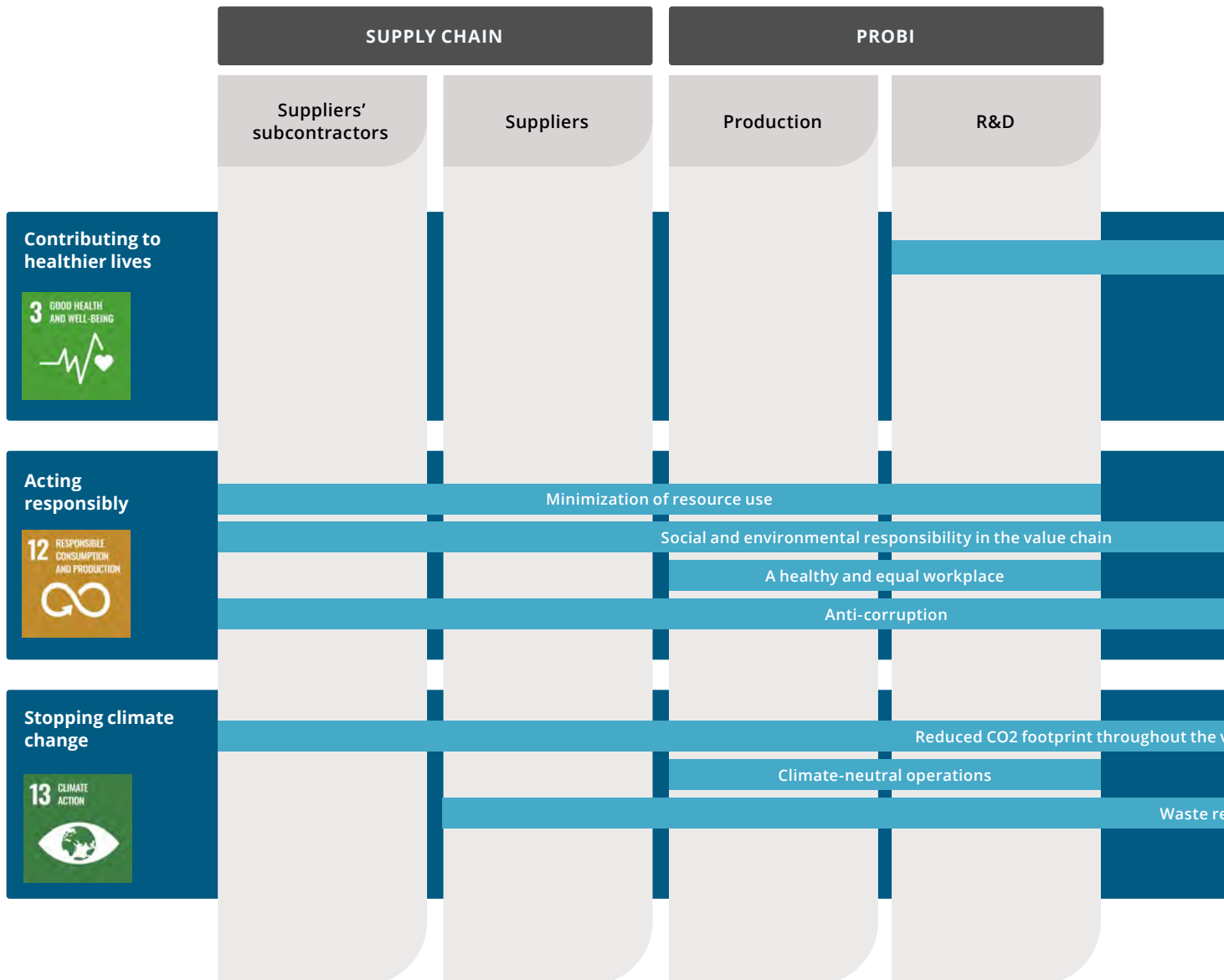
Probi is a global probiotics company that is committed to sustainability and innovation at every step of our vertically integrated value chain – from research and development to sales and marketing. We have pledged to reduce our emissions by 46% by 2030 compared to our 2019 baseline, in line with the Science Based Targets initiative (SBTi). SBTi provides companies with a clearly defined path for reducing emissions in accordance with the goals of the Paris Agreement.

As we are in the niche probiotics market, our options are limited regarding suppliers of large items. However, for other items where we have more flexibility, we are careful to ensure

that our suppliers are aligned with our values and act according to sustainable principles.

To further minimize our emissions, we plan to conduct a hot-spot analysis of our value chain and production in 2024. Both within our organization and among our suppliers, we maintain stringent standards against human rights abuses, waste of natural resources, labour law violations and unethical business practices.

We strive to maintain fair and reliable business practices, fostering strong relationships with our customers. Our sales and

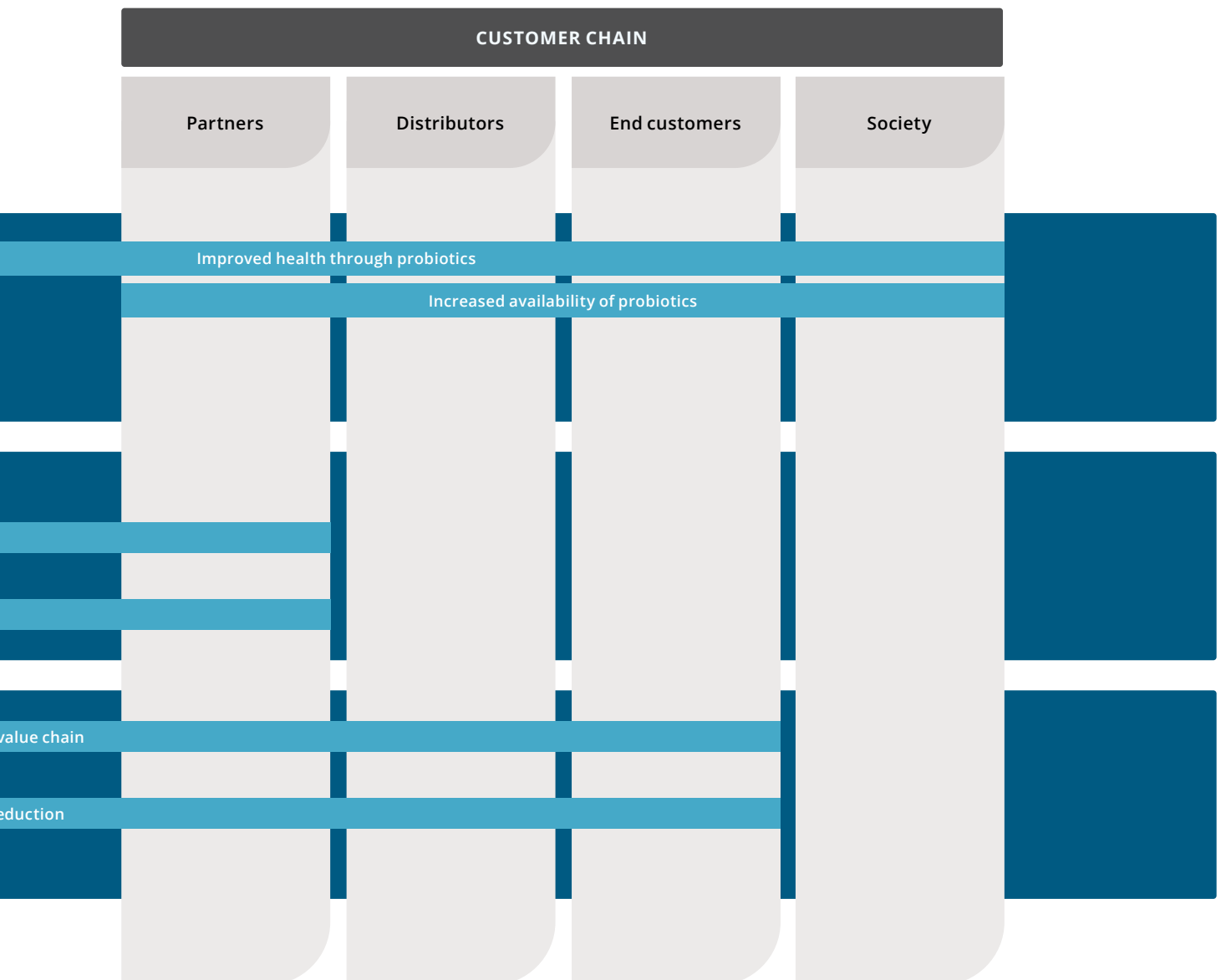


R&D teams work together closely to provide a comprehensive picture of the health benefits of our products.

All of our customer-facing employees undergo annual anti-corruption training, and selected employees receive additional training on trade sanctions and insider trading rules. We ensure fair conditions for our distributors and carefully choose partners whose values align with ours.

In 2023, we developed a global sourcing policy and used SEDEX for supply chain risk analysis, further ensuring our suppliers' alignment with our values.

By expanding access to quality-assured and clinically tested probiotics, Probi contributes to social value creation. As part of our 'Own It' culture, we encourage each individual to take responsibility for their actions and decisions, while we also promote teamwork and mutual support. This culture of responsibility and cooperation is a testimony to our commitment to creating a supportive and positive work environment.



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 2023, Probi's share capital amounted to SEK 58,220,625 (58,220,625), divided into 11,394,125 shares (11,394,125). 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 3,430 on 31 December 2023, compared to 3,729 on 31 December 2022. Institutional shareholders represent 92.8% (91.7) of the total number of shares, with private shareholders representing 7.2% (8.3) and foreign shareholders 79.5% (77.0). The largest proportion of shares among foreign shareholders is in Europe, representing 78.1% (75.5) of the total number of shares. Probi's largest shareholder, Symrise AG, held 69.6% 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 2023, Probi's share price decreased by 0.5% and was quoted at SEK 203.00 (204.00) on the final trading day of the year. OMX Stockholm PI decreased by 13% during the year. Probi's highest and lowest prices in 2023 were SEK 216.50 (411.00) and SEK 165.00 (190.00) respectively. Probi's total market capitalization amounted to SEK 2,313 million (2,324) on December 31, 2023. In 2023, 531,608 (986,307) Probi shares were traded on Nasdaq Stockholm. The average number of shares traded per trading day was 2,118 (3,883).

Dividend policy

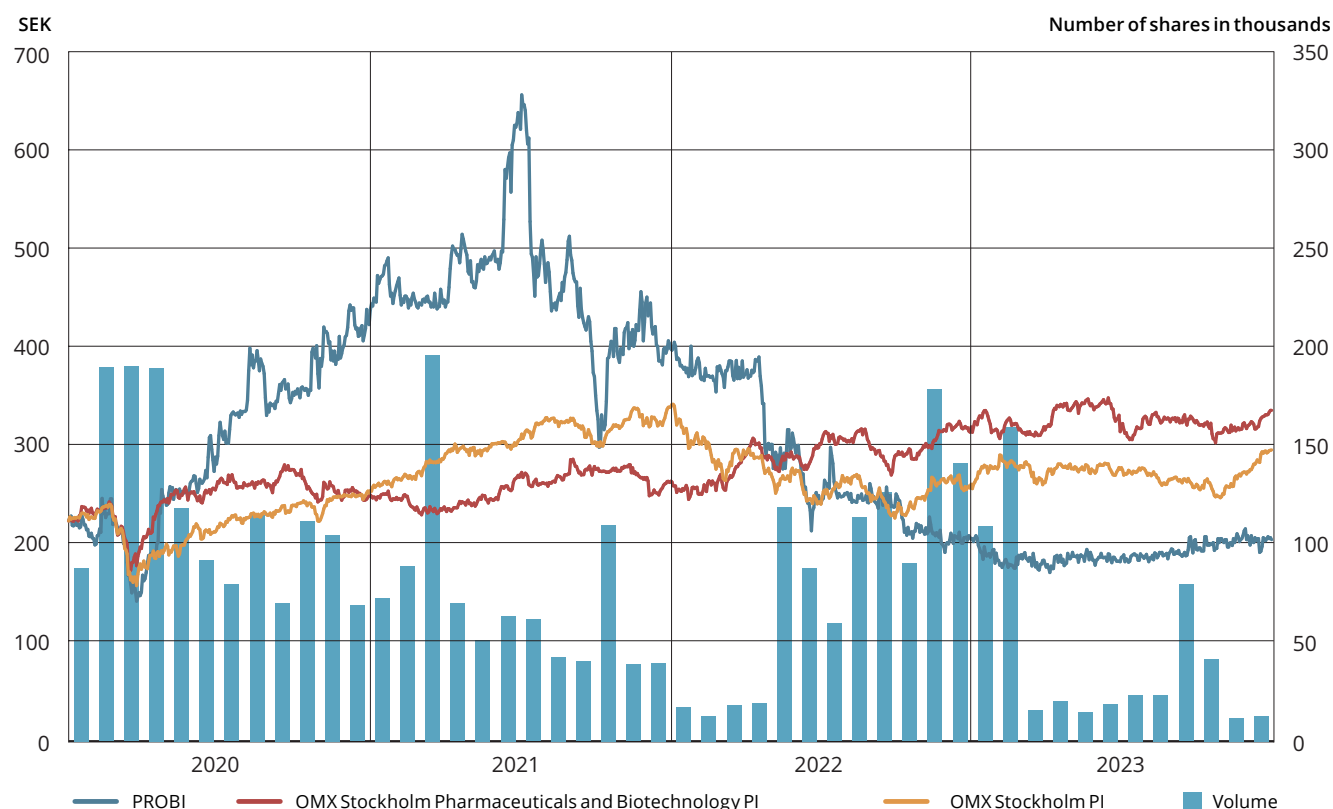
Probi's dividend policy is to have a share dividend of 10-30% of the year's profits, provided that the company's financial position allows this.

The Board of Directors and the CEO will propose at the Annual General Meeting 2024 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 1,219.9 million will be carried forward.

Option scheme

Probi has no outstanding convertibles or warrants.

The shares 2020-2023



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 ¹	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 ²	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 ³	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

¹ Issue directed at founders and senior executives.

² Issue directed at Skånemejerier's ownership group and Probi AB.

³ 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	7,926,223	69.5%
Fjärde AP-fonden	1,057,188	9.3%
Caceis bank. W-8IMY	912,045	8.0%
JP Morgan Chase bank	75,216	0.7%
Avanza pension	69,132	0.6%
Handelsbanken Fonder	65,000	0.6%
SEB Investment Management	60,266	0.5%
BNY Mellon NA, W9	57,908	0.5%
Osterlin, Claes	29,875	0.3%
Nordnet Pensionsförsäkring	29,779	0.3%
Others	1,111,493	9.7%
Total shares	11,394,125	100.0%

HOLDING PER SHAREHOLDER

Share distribution	Number of shareholders	Number of shares	Portion of shares (%)
1 - 500	3,009	281,797	2.5%
501 - 1,000	234	175,151	1.5%
1,001 - 5,000	150	323,633	2.8%
5,001 - 10,000	11	79,948	0.7%
10,001 - 15,000	8	100,695	0.9%
15,001 - 20,000	4	72,158	0.6%
20,001 -	14	10,360,743	91.0%
Total	3,430	11,394,125	100.0%

Probi AB (publ)

Annual accounts and consolidated financial statements for the
2023 financial year

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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 2023.

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 and freeze-drying, as well as dietary supplements formatting production and bottling, which takes place in GMP-certified plants. Probi develops, manufactures, sells and markets probiotics in the form of powders, capsules, tablets, stick packs or beverage, in close collaboration with consumer health care, dietary supplement 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. Probi has approximately 400 patents.

Significant events in 2023

- On March 30, Anita Johansen was appointed CEO of Probi.
- Probi established its own B2C sales and marketing organization and took over distribution and sales of the Probi® brand in Sweden as of April. Probi also expanded into Norway.
- In June, Probi entered a new partnership with Clasado Biosciences for development of synbiotics.
- In July, a new study conducted on people with metabolic syndrome by researchers at the School of Public Health, Sun Yat-sen University in China was published and opened up a new area of health for Probi. Published in Clinical Nutrition, the study showed that daily consumption of Probi's probiotic bacterial strain, *Lactocaseibacillus paracasei* 8700:2, significantly reduced the risk of cardiovascular disease and counteracted weight gain and elevated BMI.

- Probi strengthened its position in North America by taking over all distribution of BLIS K12™ and BLIS M18™ in the US and Canada as of August 1.
- A new study was published in August showing that Probi's patented strain, *L. plantarum* HEAL9 (HEAL9™), significantly improves cognitive performance. The results of the study strengthen the potential for Probi to launch a new product for mental health.
- In October, Probi launched Probi® Sensia, a brand new product concept in mental health. Probi® Sensia is based on clinical and scientific data supporting improved cognition through enhanced learning and working memory, as well as improved mood and sleep. These cognitive functions are important for strengthening overall mental health.
- In October, together with Clasado Biosciences, Probi launched two new scientifically proven synbiotic concepts.
- Updated financial targets were announced in October, to deliver ≥ 6% CAGR in organic revenue over the next five years (2024-2028) and a gradual strengthening of the EBITDA margin to at least 25% by 2028.
- Per Lindblad was appointed CFO on November 1.
- Probi was granted 23 new patents in 2023.

Sales and results

Probi's net sales amounted to SEK 627.7 m (618.3). This is an increase of SEK 9.4 m or 2% compared to the previous year. Had exchange rates remained unchanged, net sales for the full year would have been SEK 21.7 m lower.

Net sales in Probi's largest market, the Americas (North and South America), were in line with the previous year and amounted to SEK 456.2 m (454.5), which corresponded to 73% of Probi's total net sales.

Sales in EMEA (Europe, the Middle East and Africa) decreased by 6% compared to last year, to SEK 103.1 m (109.6). The decrease is primarily the result of some B2B customers reducing their safety stocks.

The APAC region (Asia and the Pacific) had net sales of SEK 68.4 m (54.2), an increase of 26%, due to increased volumes to customers, primarily in the Chinese market.

The gross margin decreased to 35% (41) of net sales. The lower margin is primarily attributable to high disposal of inventory and consulting costs related to Probi's optimization program in manufacturing.

Sales and marketing expenses were SEK 113.9 million (100.9) with the increase due to the strengthening of our sales and marketing teams, as well as higher marketing costs to support the Swedish B2C operations.

Research and development expenses were SEK 36.4 m (38.3). The change is primarily attributable to the structure of phases of different research projects during the year and does not reflect underlying activity.

Administration expenses were SEK 58.6 m (65.9), which was SEK 7.3 m lower than last year. The decrease is primarily attributable to the inclusion of personnel-related restructuring costs in the comparative year in connection with the CEO's departure and higher business development costs.

The Group's operating profit for the year was SEK 11.3 m (50.6). Adjusted for currency effects, the operating profit was SEK 9.5 m (35.5).

The Group's financial result for the year was SEK 6.1 m (1.4). Financial income amounted to SEK 8.0 million (1.7) and relates to income interest. Financial costs were SEK -2.0 m (-2.5) and mainly related to interest costs on leases. An exchange-rate gain/loss of SEK 0.0 million (2.2) arose during the year.

The tax cost was SEK 0.6 m (11.4) and the effective tax rate was 3.2% (21.8%).

The profit after tax for the year amounted to SEK 16.8 m (40.6) and earnings per share for the year amounted to SEK 1.48 (3.57).

Cash flow and financial position

Cash and cash equivalents increased during the year by SEK 5.9 m to SEK 329.6 m (323.7). Cash flow from current activities decreased by SEK 70.5 m compared to last year, mainly attributable to lower operating profit.

Cash flow from investment activities amounted to SEK -54.2 m (-64.6). Investments in intangible assets amounted to SEK -21.0 m (-12.2) of which SEK -10.1 m (-3.4) relates to software, SEK -4.1 m (-3.9) relates to patents, SEK -6.9 m (-3.1) relates to capitalized development expenses and SEK -0.0 m (-1.8) 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 tangible fixed assets amounted to SEK -33.2 m (-52.4) and related mainly to investments in the manufacturing sites in Redmond, Washington.

Cash flow from financing activities amounted to SEK -24.0 m (-29.3). This amount includes interest received of SEK 8.0 m (1.7), interest paid of SEK -2.1 m (-2.5) and lease commitments paid of SEK -15.1 m (-13.7). The dividend amounted to SEK -14.8 m (-14.8).

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 primarily to food and consumer healthcare companies, as well as to customers specializing in probiotics and self-care products. Revenue is generated through sales of goods ranging from raw materials in bulk to finished 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 facilities, a fermentation facility in Redmond, Washington and a production and packaging facility in Lafayette, Colorado. There is no monitoring of the company's assets at segment level.

Americas

Net sales for the Americas in 2023 amounted to SEK 456.2 m (454.5), which is in line with the previous year. Adjusted for exchange rates, sales decreased by 4%.

Net sales for the Americas corresponded to 73% of the Group's net sales. The gross margin for the year was 27% (37). The lower margin is mainly due to the optimisation program underway in the company's production operation, where temporary costs were incurred to address inefficiencies and to ensure long-term improvements. The program is progressing and we are confident that it is a worthwhile investment that will gradually contribute to increased profitability over time.

EMEA

In 2023, net sales for EMEA amounted to SEK 103.1 m (109.6). The decrease is mainly attributable to some B2B customers reducing their safety stocks. The region's net sales corresponded to 16% of the Group's net sales. For the full year, the gross margin was 57% (52), with a positive impact on the margin from Probi taking over distribution and sales of the Probi@ brand in Sweden.

APAC

Net sales for APAC during the year amounted to SEK 68.4 m (54.2). The increase is mainly due to continued robust growth in the Chinese market.

The region's net sales corresponded to 11% of the Group's net sales. For the full year, the gross margin was 59% (58), in line with the previous year.

Risks and uncertainties

AREA	RISK DESCRIPTION	RISK MANAGEMENT
Changes in consumer trends	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 analyses. The IPA (International Probiotics Association), of which Probi is a member, pursues an active agenda to highlight the benefits of probiotics. The IPA drives innovation and tries to increase the use of probiotics.
Agreements with strategically selected customers	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 to achieve growth 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.
Competition	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.
Regulatory risks	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. Probi's membership of the International Probiotics Association (IPA) is a way to influence regulators and authorities worldwide.
Patents, trademarks and other rights	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.
Operations subject to permits	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 with dedication 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.

AREA	RISK DESCRIPTION	RISK MANAGEMENT
Supply of goods	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 facilities in the US, a fermentation facility in Redmond, Washington and a manufacturing and packaging facility in Lafayette, Colorado. An interruption in production could have an impact on deliveries to customers, as most of the production takes place when orders are placed. 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.
Product liability	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 policies 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 facilities have extensive experience of producing probiotics where quality is a prerequisite for satisfied customers.
Strategic research and development	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.
Key individuals and employees	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.
Information technology	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.
Financial risks	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.
Pandemics	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.
Sustainability risks	For sustainability risks, see page 32, 34-35, 38.	For sustainability risk management, see page 32, 34-35, 38.

Research and development

During 2023, 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 43.3 m (41.4), of which SEK 6.9 m (3.1) related to capitalized project costs.

During the year, a new study conducted on people with metabolic syndrome by researchers at the School of Public Health, Sun Yat-sen University in China was published and opened up a new area of health for Probi. Published in *Clinical Nutrition*, the study showed that daily consumption of Probi's probiotic bacterial strain, *Lactocaseibacillus paracasei* 8700:2, significantly reduced the risk of cardiovascular disease and counteracted weight gain and elevated BMI.

A new study was also published showing that Probi's patented strain, *L. plantarum* HEAL9 (HEAL9™), significantly improves cognitive performance. The results of the study strengthen the potential for Probi to launch a new product for mental health.

In October, Probi launched Probi® Sensia, a brand new product concept in mental health. Probi® Sensia is based on clinical and scientific data supporting improved cognition through enhanced learning and working memory, as well as improved mood and sleep. These cognitive functions are important for strengthening overall mental health. Probi® Sensia was launched globally, and depending on the market, it can be combined with selected vitamins, minerals and other supplements to strengthen additional health claims in a given market. This concept is ideal for dietary supplement formats such as capsules, stick packs and functional foods, such as drinks and powder products.

Probi also launched two new synbiotic concepts in collaboration with Clasado Biosciences, combining their scientifically proven prebiotics with Probi Defendum® and Probi Digestis®, two of our most studied probiotic concepts.

Employees

At the end of the year, Probi had 160 (154) employees, of which 52% (52) were women. The average number of employees during the year was 165 (168).

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 sustainable and profitable growth by expanding and developing sales on the global 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 contribution 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.

Proposal for new guidelines for remuneration and employment conditions for senior executives

The Board of Directors proposes that the Annual General Meeting ("AGM") resolves to adopt the following guidelines for remuneration and other conditions of employment to the persons included in Probi's senior management, referred to below as "senior executives".

These guidelines shall apply to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the AGM 2024. These guidelines do not apply to any remuneration decided or approved by the general meeting.

If a Board member performs work for the company in addition to the assignment as Board member, the Board member shall receive cash remuneration on market terms, taking into the account the nature of the assignment and the work effort. Such remuneration is resolved by the Board of Directors (or, if provided by law, by the general meeting). Remuneration under employments subject to other rules than Swedish may be duly adjusted to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Promotion of the company's business strategy, long-term interests and sustainability

Probi is a complete, integrated probiotics group with operations throughout most of the world. Probi's vision is to be the innovative research-driven leader within probiotics, with an ambition to enhance people's well-being throughout the world. Probi's mission is to offer probiotic products of high quality, based on science, grown with care and delivered in attractive formats.

Probi's strategy is to achieve sustainable and profitable growth by striving for excellence in four key strategic focus areas. These focus areas are:

- **Commercial Execution & Customer Centricity**
The focus is on improving our customers' experience and extending our internal understanding of our customers and we will expand our global base of key account customers and grow our position on our science-based products, with a focus on Tier 1 markets.

- **Pioneering Science & Innovation**
We will continue being first in probiotics by ensuring a continuous rate of market relevant innovation, by enhancing speed to market, and by continuously expanding our range of clinically documented probiotic offerings. We will also evaluate scientific benefits and growth potential of other biotics.

- **Providing Differentiated Quality Solutions**
This focus area refers to our competitive edge of delivering products through the entire value-chain, from concentrated probiotic ingredients to finished consumer product. We will focus on long-term improvement of the gross margins by optimizing our internal manufacturing processes and through supply chain effectiveness we will deliver better customer experience. We will address the need for new production opportunities or contract manufacturing in growth regions and optimize manufacturing footprint as business opportunities appear.

All three focus areas above will be reinforced by leveraging strategic external partnerships, international research collaborations and/or acquisitions within relevant health areas, geographies, and segments.

- **People with a Shared Purpose and Passion for Probiotics**
We aim to have a healthy and thriving organization driven by our shared purpose and goal to provide probiotics for healthier lives and a healthier planet.

The key to successful implementation of the strategy is committed and dedicated employees who work systematically, and strategically.

These guidelines are expected to contribute to the implementation of the strategy, including Probi's long-term interests and sustainability, by enabling Probi to offer a total remuneration that is competitive and on market terms in order to recruit and retain senior executives and by promoting the senior executive's abilities to carry out their duties.

Principles for different forms of remuneration, etc.

The total remuneration to senior executives shall be competitive and on market terms and may consist of fixed cash salary (base salary), variable cash remuneration (bonus), pensions and other benefits, and also further variable cash remuneration in certain extraordinary circumstances. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, long-term share-related or share price-related incentive programs.

Fixed cash salary

The fixed cash salary (base salary) shall take into account the individual's potential, areas of responsibility and experience.

Variable cash remuneration*Annual variable remuneration*

The annual variable cash remuneration may, for the CEO, amount to a maximum of 60% of the fixed annual cash base salary and may, for the other senior executives, amount to a maximum of 50% of the fixed annual cash base salary. For senior executives employed in the American organization, the annual variable cash remuneration may amount to a maximum of 100% of the fixed annual cash base salary. Annual variable cash remuneration shall be linked to the senior executive's fulfilment of pre-determined quantitative and qualitative goals. The goals may be financial, for example by relating to result or net sales and non-financial, for example by relating to how the individual contribute to Probi's work with matters on diversity and the maintenance and building of Probi's culture. The goals shall, among other things, aim to secure a long-term commitment for the company's progress, whereby they are expected to contribute to the successful implementation of Probi's business strategy, long-term interests and sustainability. The fulfilment of criteria for awarding annual variable cash remuneration shall be measured on a yearly basis.

Long-term cash bonus (LTI-bonus)

In addition to fixed cash salary and annual variable cash remuneration, senior executives may receive a variable long-term cash bonus (LTI bonus) each year. The LTI bonus shall reward Net Sales and EBITDA targets over a period of three financial years. Each LTI program of three financial years is implemented annually during the first calendar quarter and shall cover a vesting period of three financial years, each a performance year; year 1, year 2 and year 3. The LTI bonus shall for the CEO be maximized to 50 per cent of the base salary during the inclusion year and for other senior executives to 40 percent ("Grant Value"). For each LTI program, the Board of Directors establishes a bonus target for Net Sales and EBITDA for each financial year included in the performance period, whereby year 1 is weighted 20% of the Grant Value, year 2 is weighted 30% of the Grant Value and year 3 is weighted 50% of the Grant Value. If Net Sales during a performance year amounts to at least 95% of the target, a bonus is earned with between app. 30-55% of the performance year's weighting, depending on how much the target has been exceeded. If the bonus target for EBITDA is exceeded during a performance year, a bonus is earned with between app. 34-45% of the performance year's weighting, depending on how much the target has been exceeded. The total LTI bonus earned during the term of the LTI program is then paid out during the first calendar quarter of the year after LTI program term and is subject to the employee remaining in employment and not having terminated his/her employment (with certain customary exceptions). In the event of termination due to redundancy, bonus earned at the time of termination will be paid and a pro rata amount during the current performance year.

Determination of the outcome for variable cash remuneration, etc.

Ahead of each yearly measurement period for the criteria for awarding variable cash remuneration, the Board of Directors shall, based on the Remuneration Committee's proposal, establish which criteria that are deemed to be relevant for the upcoming measurement period. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be determined when the measurement period has ended. The Board of Directors is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO and the Chairman of the Board is responsible for the evaluation. Evaluations regarding fulfilment of financial targets shall be based on established financial basis for the relevant period.

Variable cash remuneration can be paid after the measurement period has ended or be subject to deferred payment. The Board of Directors shall have the possibility, under applicable

law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds.

Further variable cash remuneration

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining senior executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed 30% of the fixed annual cash base salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board of Directors.

Pensions

For senior executives, pensions, including health insurance (Sw: sjukförsäkring), shall be based on defined contribution plans. Variable cash remuneration shall qualify for pension benefits. The pension premiums for the contribution defined pension shall follow the ITP1 plan and shall amount to not more than 4.5% of the pensionable salary up to 7.5 income base amounts, and not more than 30% on exceeding salary up to 30 income base amounts. Additionally, according to applicable collective agreements, a part of the senior executive's pensionable salary may be allocated as a complement to the senior executive's pension as set out in his or her employment contract (Sw: deltidspensionspremie).

Other benefits

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company cars, and may be provided to the extent that such benefits are deemed to be on market terms for senior executives in equivalent positions in the market where the senior executive is active. Such benefits may amount to not more than 10% of the fixed annual cash base salary.

Termination of employment

Senior executives shall be employed until further notice. The notice period may not exceed twelve months for the CEO and nine months for other senior executives if notice of termination of employment is made by the company. Fixed cash base salary during the period of notice and severance pay may together not exceed an amount equivalent to the fixed cash base salary for twelve months. The period of notice may not exceed six months, without any right to severance pay, when termination is made by the executive.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and may only be paid in so far as the previously employed executive does not receive severance pay. The remuneration shall amount to not more than 60% of the fixed cash base salary at the time of termination of the employment, unless otherwise provided by mandatory collective agreement provisions and be paid during the time the non-compete undertaking applies, however not for more than twelve months following termination of the employment.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a Remuneration Committee. The committee's tasks include preparing the Board of Director's decisions to propose guidelines for remuneration to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit to the AGM. The guidelines shall be in force until new guidelines are adopted by the general meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration for the senior executives, the application of the guidelines for remuneration to senior executives as well as the current remuneration structures and compensation levels in the company. The members of the Remuneration Committee are independent of the company and its senior management. The CEO and other senior executives do not participate in the Board of Director's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may derogate from these guidelines if the Board of Directors considers that, in a specific case, there is special cause for the derogation and a derogation is necessary to serve Probi's long-term interests, including its sustainability, or to ensure Probi's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Description of significant changes to the guidelines and comments from shareholders

In relation to current guidelines, resolved by the AGM 2020, the proposal for the AGM 2024 includes a new structure for a three-year variable long-term cash bonus for senior executives linked to net sales and EBITDA targets. Furthermore, the description of ITP1 has been adjusted to reflect the new income cap on the amount of pensionable income of 30 income base amounts. The Board of Directors has not received any comments from shareholders on the guidelines for remuneration to senior executives.

The proposal will be included in the AGM documents, which are published for the 2024 AGM.

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, 2023, Probi had 3,430 (3,729) shareholders according to Euroclear Sweden AB. On that date, Probi had one owner with shareholdings representing at least one-tenth of the votes for all shares in the company: Symrise AG, Germany with 69.6% of the votes. At the end of 2023, Probi's share capital amounted to SEK 58,220,625 (58,220,625), distributed among 11,394,125 shares (11,394,125), corresponding with a quota value of SEK 5.11 per share. 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	604,108,524
Share premium reserve	579,064,772
Profit for the year	51,518,510
Total	1,234,691,806

Based on an assessment of Probi's business operations and strategic investment decisions in 2023, the Board of Directors propose that the 2024 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 2023 financial year and that retained earnings totaling SEK 1,219,879,444 be brought forward to 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.bolagsstyrningsskollegiet.se.

This Corporate Governance Report refers to the 2023 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, 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 decision-making 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 4, 2023. 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 2024 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' preemptive 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 2023.

Minutes from the 2023 AGM are available at 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

The Annual General Meeting on May 4, 2023, resolved that the Chairman of the Board, no later than the end of the third quarter of each year, shall ensure that the company's three largest shareholders or owner groups in terms of votes are offered the opportunity to appoint a representative to the Nomination Committee. The reconciliation shall be based on Euroclear Sweden AB's shareholder register (grouped by owner) as of the last banking day in August or such other documentation that shareholders or owner groups report at this time as evidence of their shareholding. If one or more shareholders or owner groups refrain from appointing a member to the Nomination Committee, one or more of the next-largest shareholders in terms of ownership shall be invited to appoint a member to the Nomination Committee. However, more than a maximum of five additional shareholders need not be contacted if two shareholders have accepted a place on the Nomination Committee and the Chairman of the Board has not determined there are particular reasons for doing so. When a shareholder is contacted with a request to appoint a member to the Nomination Committee, the Chairman of the Board shall establish the required rules of procedure, such as the last date for reply, etc. The chairman of the company's board shall be co-opted to the Nomination Committee. In addition, if the owner representatives so agree, a representative of the smaller shareholders who is independent of the company and its major shareholders may be appointed as a member of the Nomination Committee.

Heinz-Jürgen Bertram (CEO Symrise AG) (convener), Marianne Flink (4:e AP-fonden), Lotta Sjöberg (Handelsbanken Fonder) and Bengt Jeppsson (Professor in the Department of Surgery at Lund University and representative of small shareholders) were appointed 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 under 'Investor Relations'.

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 4, 2023, 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 Iréne 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 and on pages 88-89.

The AGM resolves on principles and monetary limits for Board fees. The AGM resolved in accordance with the Nomination Committee's proposal that fees to the Board for 2023 shall be SEK 540,000 to the Chairman and SEK 270,000 to each of the other members elected by the AGM. A resolution was also made on remuneration for work on committees, whereby the Chairman of the Audit Committee is to receive SEK 120,000 and each member SEK 50,000, and the Chairman of the Remuneration Committee is to receive SEK 30,000 and each member SEK 20,000. For information regarding Board fees, see Note 10. A presentation of the Board of Directors is available on the company's website www.probi.com and on pages 88-89.

CEO

A presentation of the CEO is available on the company's website www.probi.com and on page 90.

Auditors

The 2023 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 2024 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 2023 focused primarily on strategic and structural issues involving Probi's long-term development and growth. The Board of Directors also held a further six minutes meetings in 2023. 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 2023

Name	Year elected	Independent of 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	10/10		2/3
Charlotte Hansson	2017	Yes	Yes	10/10	7/8	
Irène Corthésy Malnoë	2018	Yes	Yes	10/10		
Jörn Andreas	2019	Yes	No	10/10	8/8	
Malin Ruijsenaars	2020	Yes	Yes	9/10		3/3

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	2023	2022
Net sales	6, 7	627,687	618,285
Operating expenses			
Cost of goods sold	8, 10, 11, 30	-407,474	-362,840
Gross profit	6	220,213	255,445
Sales and marketing expenses	8, 10, 11	-113,908	-100,936
Research and development expenses	8, 10, 11	-36,438	-38,348
Administrative expenses	8, 9, 10, 11	-58,587	-65,909
Other operating income		40	322
Operating profit		11,320	50,574
Financial income		8,048	1,705
Financial expenses	11	-2,027	-2,492
Exchange-rate gain/loss from financing activities		41	2,187
Financial result	12	6,062	1,400
Earnings before income taxes		17,382	51,974
Income taxes	13	-563	-11,352
Profit for the year attributable to owners of parent		16,819	40,622
Other comprehensive income			
Components to be reclassified to net income			
Exchange rate difference resulting from the translation of foreign operations		-36,028	139,908
Total components that will be reclassified to net income		-36,028	139,908
Components not to be reclassified to net income			
Equity instruments at fair value through OCI		-7,466	-20,691
Total components not to be reclassified to net income		-7,466	-20,691
Total other comprehensive income		-43,494	119,217
Total comprehensive income for the year attributable to owners of parent		-26,675	159,839
Earnings per share before and after dilution, SEK	34	1.48	3.57

Consolidated statement of financial position

ASSETS

Currency: SEK 000s	Note	2023	2022
Non-current assets			
Intangible assets			
Capitalized development costs	14	23,497	24,782
Customer base	15	211,718	248,452
Technology and other intangible assets	16	92,191	109,251
Work in progress intangible assets	17	12,862	-
Goodwill	18	340,580	353,887
Activated customer remuneration	31	0	0
Total intangible assets		680,848	736,372
Tangible assets			
Buildings and land	19	23,007	19,934
Plant and machinery	20	82,303	64,606
Equipment, tools, fixtures and fittings	21	7,852	8,999
Work in progress	22	32,660	53,267
Right-of-use assets	11	49,010	65,546
Total tangible assets		194,832	212,352
Financial assets			
Interests in other entities	24, 26	73,044	80,510
Deferred tax assets	13	1,345	357
Total financial assets		74,389	80,867
Total non-current assets		950,069	1,029,591
Current assets			
Inventories	25	116,705	116,245
Current receivables			
Trade receivables	26, 27	79,792	89,295
Tax receivables		1,901	781
Other assets and receivables	26, 30	5,843	3,941
Prepaid expenses and accrued income	28	6,483	6,329
Total current receivables		94,019	100,346
Cash and cash equivalents	26	329,650	323,706
Total current assets		540,374	540,297
Total assets		1,490,443	1,569,888

Consolidated statement of financial position, cont.

SHAREHOLDERS' EQUITY AND LIABILITIES

Currency: SEK 000s	Note	2023	2022
Equity			
Share capital		58,221	58,221
Other contributions received		600,205	600,205
Reserves		97,416	140,909
Accumulated profit including net income for the year		613,238	611,232
Total equity		1,369,080	1,410,567
Provisions			
Deferred tax liabilities	13	-	13,833
Total provisions		-	13,833
Non-current liabilities			
Lease liabilities	11, 26	38,212	53,601
Other non-current liabilities		5,272	5,480
Total non-current liabilities		43,484	59,081
Current liabilities			
Trade payables	26	34,376	34,424
Tax liabilities		139	114
Lease liabilities	11, 26	15,585	16,667
Other current liabilities	26, 30	3,955	5,052
Accrued expenses and deferred income	29	23,824	30,150
Total current liabilities		77,879	86,407
Total equity and liabilities		1,490,443	1,569,888

Consolidated statement of cash flows

Currency: SEK 000s	Note	2023	2022
Profit for the year		16,819	40,622
Adjustments to reconcile net income with cash provided from operating activities			
Income taxes		563	11,352
Interest result		-6,021	714
Amortization, depreciation and impairment of non-current assets		96,203	85,682
Other non-cash expenses and income		-66	4,036
Cash flow before working capital changes		107,498	142,406
Changes in trade receivables and other current assets		5,498	42,091
Change in inventories		-4,444	-8,936
Changes in trade payables and other current liabilities		-6,215	-4,400
Income taxes paid		-16,786	-15,067
Cash flow from operating activities		85,551	156,094
Investing activities			
Payments for investing in intangible assets	14, 15, 16, 17, 18	-21,023	-12,180
Payments for investing in interests in other entities	24	-	-
Payments for investing in property, plant and equipment	19, 20, 21, 22	-33,163	-52,429
Divestment of property, plant and equipment	21	15	20
Cash flow from investing activities		-54,171	-64,589
Financing activities			
Interest paid		-2,069	-2,458
Interest received		8,048	1,705
Amortization of lease liability		-15,124	-13,743
Dividends		-14,812	-14,812
Cash flow from financing activities		-23,957	-29,308
Net change in cash and cash equivalents		7,423	62,197
Effects of changes in exchange rates		-1,479	10,492
Total changes		5,944	72,689
Cash and cash equivalents, January 1		323,706	251,017
Cash and cash equivalents, December 31		329,650	323,706

Consolidated statement of changes in shareholders' equity

Currency: SEK 000s	Share capital	Other contribu- tions received	Cumulative translation differences	Fair value reserve	Accumulated profit inc. profit for the year	Total equity attributable to owners of parent
Opening balance, Jan 1, 2022	58,221	600,205	29,414	-7,721	585,422	1,265,541
Profit for the year	-	-	-	-	40,622	40,622
Other comprehensive income	-	-	139,908	-20,691	-	119,217
Total comprehensive income	-	-	139,908	-20,691	40,622	159,839
Dividends	-	-	-	-	-14,812	-14,812
Total transactions with shareholders	-	-	-	-	-14,812	-14,812
Closing balance, Dec 31, 2022	58,221	600,205	169,322	-28,412	611,232	1,410,567
Opening balance, Jan 1, 2023	58,221	600,205	169,322	-28,412	611,232	1,410,567
Profit for the year	-	-	-	-	16,819	16,819
Other comprehensive income	-	-	-36,028	-7,466	-	-43,494
Total comprehensive income	-	-	-36,028	-7,466	16,819	-26,675
Dividends	-	-	-	-	-14,812	-14,812
Total transactions with shareholders	-	-	-	-	-14,812	-14,812
Closing balance, Dec 31, 2023	58,221	600,205	133,294	-35,878	613,239	1,369,080

Parent Company's income statement

Currency: SEK 000s	Note	2023	2022
Net sales	7	265,890	263,303
Other revenue	7	11,677	13,599
Total operating revenue	7	277,567	276,902
Cost of goods sold	8, 10, 11, 30	-74,820	-79,694
Gross profit		202,747	197,208
Sales and marketing expenses	8, 10, 11	-59,362	-49,610
Research and development expenses	8, 10, 11	-33,725	-38,139
Administrative expenses	8, 9, 10, 11	-41,504	-52,895
Operating profit		68,156	56,564
Profit from participations in group companies		-	49,944
Other interest income and similar profit items		9,967	5,305
Revaluation of participations in other companies		-7,466	-20,691
Interest expense and similar profit items		-3,370	-2,990
Financial result	12	-869	31,568
Earnings before income taxes		67,287	88,132
Income taxes	13	-15,768	-12,838
Profit for the year		51,519	75,294

Other comprehensive income

Currency: SEK 000s	2023	2022
Profit for the year	51,519	75,294
Components to be reclassified to net income		
Total other comprehensive income	-	-
Total comprehensive income for the year	51,519	75,294

Parent Company's balance sheet

ASSETS

Currency: SEK 000s	Note	2023	2022
Non-current assets			
Intangible assets			
Capitalized development costs	14	23,497	24,782
Technology and other intangible fixed assets	16	18,989	18,855
Work in progress intangible assets	17	789	-
Activated customer remuneration	31	-	-
Total intangible assets		43,275	43,637
Tangible assets			
Buildings and land	19	4,341	5,239
Equipment, tools, fixtures and fittings	21	7,055	7,470
Total tangible assets		11,396	12,709
Financial assets			
Participations in Group companies	23	905,289	905,289
Interests in other entities	24, 26	73,044	80,510
Deferred tax assets		-	219
Total financial assets		978,333	986,018
Total non-current assets		1,033,004	1,042,364
Current assets			
Inventories	25	14,761	8,446
Current receivables			
Trade receivables	26, 27	29,108	26,713
Tax receivables		1,766	611
Other assets and receivables	26, 30	2,956	1,323
Prepaid expenses and accrued income	28	5,108	4,702
Total current receivables		38,938	33,349
Cash and cash equivalents	26	283,426	258,185
Total current assets		337,125	299,980
Total assets		1,370,129	1,342,344

Parent Company's balance sheet, cont.

SHAREHOLDERS' EQUITY AND LIABILITIES

Currency: SEK 000s	Note	2023	2022
Restricted equity			
Share capital		58,221	58,221
Statutory reserve		21,140	21,140
Reserve for capitalized development costs		23,185	23,611
Total restricted equity		102,546	102,972
Non-restricted equity			
Share premium reserve		579,065	579,065
Accumulated profit		604,108	543,200
Profit for the year		51,519	75,294
Total non-restricted equity		1,234,692	1,197,559
Total equity		1,337,238	1,300,531
Current liabilities			
Trade payables	26	19,172	18,670
Short-term payable. Group companies		1,698	1,128
Tax liabilities		-	-
Other current liabilities	26, 30	3,955	3,503
Accrued expenses and deferred income	29	8,066	18,512
Total current liabilities		32,891	41,813
Total equity and liabilities		1,370,129	1,342,344

Parent Company's cash flow statement

Currency: SEK 000s	Note	2023	2022
Profit for the year		51,519	75,295
Adjustments to reconcile net income with cash provided from operating activities			
Income taxes		15,768	12,838
Interest result		-6,708	-846
Amortization, depreciation and impairment of non-current assets		15,349	16,094
Other non-cash expenses and income		7,494	24,668
Cash flow from operating activities before working capital changes		83,422	128,049
Changes in trade receivables and other current assets		-4,161	5,772
Change in inventories		-6,315	-458
Changes in trade payables and other current liabilities		-8,968	3,433
Income taxes paid		-16,922	-14,983
Cash flow from operating activities		47,056	121,813
Investing activities			
Payments for investing in intangible assets	14, 16, 18	-12,072	-8,786
Payments for investing in property, plant and equipment	19, 21	-1,639	-8,726
Payments for investing in financial assets	24, 26	-	-
Divestment of property, plant and equipment	21	-	20
Cash flow from investing activities		-13,711	-17,492
Financing activities			
Interest paid		-3	-83
Interest received		6,711	929
Dividends		-14,812	-14,812
Cash flow from financing activities		-8,104	-13,966
Total changes		25,241	90,355
Cash and cash equivalents, January 1		258,185	167,830
Cash and cash equivalents, December 31		283,426	258,185

Parent Company's statement of changes in shareholders' equity

Currency: SEK 000s	Share capital	Statutory	Reserve for capitalized development expenses	Share premium reserve	Accumulated profit incl profit for the year	Total equity attributable to owners of parent
Opening balance, Jan 1, 2022	58,221	21,140	28,804	579,065	552,820	1,240,050
Profit for the year	-	-	-	-	75,294	75,294
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	75,294	75,294
Reserve for capitalized development costs	-	-	-5,193	-	5,193	-
Total transfer between categories in equity	-	-	-5,193	-	5,193	-
Dividends	-	-	-	-	-14,813	-14,813
Total transactions with shareholders	-	-	-	-	-14,813	-14,813
Closing balance, Dec 31, 2022	58,221	21,140	23,611	579,065	618,494	1,300,531
Opening balance, Jan 1, 2023	58,221	21,140	23,611	579,065	618,494	1,300,531
Profit for the year	-	-	-	-	51,519	51,519
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	51,519	51,519
Reserve for capitalized development costs	-	-	-426	-	426	-
Total transfer between categories in equity	-	-	-426	-	426	-
Dividends	-	-	-	-	-14,812	-14,812
Total transactions with shareholders	-	-	-	-	-14,812	-14,812
Closing balance, Dec 31, 2023	58,221	21,140	23,185	579,065	655,627	1,337,238

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, 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 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 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 presented a number of studies with findings that are vital to Probi's future development. Probi has approximately 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.

Probi AB's shares are listed on Nasdaq Stockholm, Mid Cap.

The annual report and consolidated financial statements have been approved for publication by the board on March 19, 2024, and will be submitted to the Annual General Meeting on May 7, 2024.

Note 2. Accounting and valuation principles

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 the 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 2023 financial year, no new standards came into effect that affected the company's accounts.

New and revised accounting 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 2.7 "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 Property, plant and equipment

Property, plant and equipment 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. All other forms of repairs and maintenance are recognized as costs in profit or loss during the period in which they arise.

Property, plant and equipment 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 disposal of property, plant and equipment are recognized under Other operating income, and losses under Operating expenses.

2.4 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.

- 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.
- 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.

- Interests in other entities: 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. 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. See Note 30 for further information about financial derivatives.

2.5 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.

2.6 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.

2.7 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 2023 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 2023, 91% of Probi's revenue was billed in foreign currencies, of which 79% in USD and 12% 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 2023 would have been ± SEK 3.1 m, and ± SEK 46.5 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 2023, Probi carried out impairment tests to determine the recoverable amount of the projects that had been capitalized at December 31, 2023. 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

See information in Note 18.

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.

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.

Probi's financial objectives:

Growth

The target is an average annual revenue growth of at least 6% for the next five-year period. In 2023, Probi's growth was 2% (-6).

Margin

This growth will be combined with a gradual strengthening of the profit margin (EBITDA) to at least 25% by 2028. In 2023, Probi's EBITDA margin was 17% (22).

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 specializing 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, foods containing Probi's probiotics are being developed, which is done in collaboration 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

2023	Americas	EMEA	APAC	Total
Net sales	456,233	103,052	68,402	627,687
Costs of goods sold	-334,643	-44,671	-28,160	-407,474
Gross profit	121,590	58,381	40,242	220,213

2022	Americas	EMEA	APAC	Total
Net sales	454,534	109,570	54,181	618,285
Costs of goods sold	-287,140	-53,043	-22,657	-362,840
Gross profit	167,394	56,527	31,524	255,445

OPERATIVE REVENUE DISTRIBUTED BY GEOGRAPHIC AREAS

	2023	2022
USA	449,539	448,412
Americas, excl. USA	6,694	6,122
Sweden	44,535	35,790
EMEA, excl. Sverige	58,517	73,780
APAC	68,402	54,181
Net sales	627,687	618,285

Probi's five largest customers account for 54% of the Group's sales, or SEK 337 m, of which SEK 313 m in the Americas segment and SEK 24 m in EMEA.

Note 7. Revenue distribution**REVENUE DISTRIBUTION**

Group 2023	Americas	EMEA	APAC	Total
Goods	449,763	100,714	68,402	618,879
Royalties	6,470	2,338	-	8,808
Net sales	456,233	103,052	68,402	627,687

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

Parent Company 2023	Americas	EMEA	APAC	Total
Goods	16,190	97,361	34,733	148,284
Royalties	115,268	2,338	-	117,606
Net sales	131,458	99,699	34,733	265,890

Other revenue				
Total revenue	11,617	60	-	11,677
	143,075	99,759	34,733	277,567

Parent Company 2022	Americas	EMEA	APAC	Total
Goods	11,399	104,688	35,114	151,201
Royalties	108,966	3,136	-	112,102
Net sales	120,365	107,824	35,114	263,303

Other revenue	13,245	66	288	13,599
Total revenue	133,610	107,890	35,402	276,902

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.

- 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. 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.

Note 8. Cost distribution

	Group		Parent Company	
	2023	2022	2023	2022
Product costs	-205,249	-187,963	-55,529	-63,793
Currency changes from operating activities	-1,412	1,982	-1,412	1,982
Employee benefit expenses	-175,229	-165,473	-59,591	-66,421
Other external costs	-138,275	-129,870	-77,530	-75,308
Depreciation/amortization and disposal of non-current assets	-96,203	-86,386	-15,349	-16,798
Total expenses	-616,367	-567,710	-209,411	-220,338

Note 9. Auditors' fees

	Group		Parent Company	
	2023	2022	2023	2022
Ernst & Young				
Audit assignment	1,073	1,033	746	693
Audit-related services	10	-	10	-
Other services	48	76	48	76
Total	1,131	1,109	804	769

"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	
	2023	2022	2023	2022
Sweden	45	45	45	45
of whom women	34	31	34	31
Abroad				
Singapore	4	4	-	-
USA	116	119	-	-
Total abroad	120	123	-	-
of whom women	52	56	-	-
Total	165	168	45	45
of whom women	86	87	34	31

DISTRIBUTION OF WOMEN AND MEN ON THE BOARD AND EXECUTIVE MANAGEMENT

	2023		2022	
	Female	Male	Female	Male
Board of Directors	3	2	3	2
CEO and Management Group	2	2	2	4

SALARIES AND REMUNERATION

	Group		Parent Company	
	2023	2022	2023	2022
Board of Directors	1,270	1,540	1,270	1,540
CEO and Management Group	11,422	17,258	7,254	12,476
Other employees	118,605	102,213	29,233	26,968
Total	131,297	121,012	37,757	40,984

	Group		Parent Company	
	2023	2022	2023	2022
Social security contributions, total	28,202	29,694	18,344	20,917
Of which pension costs:	7,489	9,017	5,983	7,365
Board of Directors	-	-	-	-
CEO and Management Group	1,003	3,488	1,003	3,373
Other employees	6,486	5,529	4,980	3,992

REMUNERATION AND OTHER BENEFITS TO BOARD MEMBERS

	Parent Company 2023			
	Board of Directors	Rem. Comm.	Aud. Comm.	Total
Jörn Andreas	270	-	50	320
Charlotte Hansson	270	-	120	390
Irène Corthésy Malnoë	270	-	-	270
Jean-Yves Parisot	-	-	-	-
Malin Ruijsenaars	270	20	-	290
Total	1,080	20	170	1,270

	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
Total	1,335	35	170	1,540

REMUNERATION AND OTHER BENEFITS TO CEO AND MANAGEMENT

2023	Base salary	Variable rem.	Other benefits	Pension costs	Total
Tom Rönnlund, CEO	-	-	41	-	41
Anita Johansen, CEO	2,871	588	50	484	3,992
Other management, average 3	6,189	524	1,159	589	8,461
Total	9,060	1,112	1,250	1,073	12,494

2022	Base salary	Variable rem.	Other benefits	Pension costs	Total
Tom Rönnlund, CEO	5,982	711	97	1,851	8,641
Anita Johansen, interim CEO	146	-	3	24	173
Other management, average 5	9,200	-	1,119	1,613	11,932
Total	15,328	711	1,219	3,488	20,745

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 4.2 m (1.5). 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, Tom Rönnlund resigned as CEO. Remuneration related to the outgoing CEO's 12-month notice period was fully expensed in 2022.

In 2023, Chairman of the Board Jean-Yves Parisot waived his board remuneration and no remuneration was paid during the year. Unpaid, but decided, remuneration amounts to SEK 660,000.

Note 11. Leases

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 January 1 each year. Furthermore, the asset is valued at an amount corresponding to the lease liability, adjusted for pre-paid 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. The total cash flow related to leasing agreements during 2023 amounted to SEK 17.9 m (16.9).

Leases include lease of Building and land (premises run with index clauses), Plant and machinery (production equipment) and Equipment, tools, fixtures and fittings (office equipment and vehicles). The Group's expenses for short-term leases for which the underlying asset has a low value amounted to SEK 0.7 m (0.7 m) for 2023.

IFRS 16 LEASES IN BALANCE SHEET

	Group	
	2023	2022
Buildings and land		
Opening value	64,925	73,363
Acquisitions	-	-
Disposals	-	-1,305
Depreciation for the year	-15,052	-14,605
Translation differences	-1,132	7,472
Closing residual value	48,741	64,925
Plant and machinery		
Opening value	357	457
Depreciation for the year	-174	-166
Translation differences	-5	65
Closing residual value	178	357
Equipment, tools, fixtures and fittings		
Opening value	264	919
Acquisitions	34	-319
Depreciation for the year	-207	-336
Closing residual value	91	264
Total lease contracts in the balance sheet	49,010	65,546

COST DISTRIBUTION IFRS 16 LEASES

	Group	
	2023	2022
Depreciation of leases		
Buildings and land	-15,052	-14,605
Plant and machinery	-174	-166
Equipment, tools and fixtures	-207	-336
Total depreciation of leases	-15,433	-15,107
Financial expenses, leases		
Buildings and land	-1,998	-2,389
Plant and machinery	-18	-17
Equipment, tools and fixtures	-8	-4
Total financial expenses leases	-2,023	-2,409
Total expenses attributable to leases	-17,456	-17,516

LEASE LIABILITIES

	Group	
	2023	2022
Opening value	70,268	77,589
Additional lease liabilities	31	-
Interest expenses	2,023	2,410
Paid leasing liabilities	-17,189	-16,191
Translation differences	-1,335	6,461
Closing leasing liabilities	53,797	70,268
Current lease liabilities	15,811	16,926
Non-current lease liabilities, 1-5 years	41,326	56,837
Non-current lease liabilities, >5 years	-	1,945
	57,137	75,708

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	
	2023	2022
Leasing costs for the year	5,927	5,794
Falls due for payment within one year	5,558	5,886
Falls due for payment after one but within five years	20,223	22,467
Falls due for payment after more than five years	-	4,588

Note 12. Financial income and expenses

	Group		Parent Company	
	2023	2022	2023	2022
Interest income	8,048	1,705	6,711	929
Exchange rate gains	3,408	5,095	3,256	4,376
Exchange rate losses	-3,367	-2,907	-3,367	-2,907
Interest expenses	-2,027	-2,419	-3	-10
Other financial expenses	-	-73	-	-73
Dividend from subsidiaries	-	-	-	49,944
Impairment of shares in other companies	-	-	-7,466	-20,691
Total	6,062	1,400	-869	31,568

Note 13. Income tax

	Group		Parent Company			Group		Parent Company	
	2023	2022	2023	2022		2023	2022	2023	2022
Current tax for the year	-15,690	-12,945	-15,768	-12,838	Change in deferred tax for the year				
Deferred tax	13,993	2,413	-	-	Temporary differences in deferred tax	-20,671	-10,362	-	-
Tax effect of changed tax rate	1,134	-820	-	-	Tax effect of changed tax rate	1,134	-820	-	-
Change in deferred tax	15,127	1,593	-	-	Deferred tax assets in capitalized loss carryforwards	20,831	11,238	-	-
Total income tax	-563	-11,352	-15,768	-12,838	Translation differences	-306	-	-	-
Reconciliation of effective tax rate					Total change in deferred tax for the year	988	56	-	-
Earnings before income taxes	17,382	51,974	67,287	88,132	Change in deferred tax for the year				
Nominal tax according to parent company 20.6%	-3,581	-10,707	-13,861	-18,155	Temporary differences in deferred tax	13,833	-474	-	-
Adjustment of tax attributable to previous years	104	-151	-94	-144	Total change in deferred tax liability for the year	13,833	-474	-	-
Tax effect from non-deductible expenses	-557	-910	-1,813	5,461	Total change in deferred tax for the year	14,821	-418	-	-
Tax effect of foreign subsidiaries	2,434	393	-	-					
Tax effect of changed tax rate	1,134	-820	-	-					
Other adjustments	-97	843	-	-					
Total effective tax	-563	-11,352	-15,768	-12,838					

DEFERRED TAX ASSETS AND LIABILITIES, 2023

	Group			Parent Company		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax	Deferred tax assets	Deferred tax liabilities	Net deferred tax
Intangible assets	6,817	-39,521	-32,704	-	-	-
Tangible assets	-	-8,194	-8,194	-	-	-
Right-of-use assets	-	-11,418	-11,418	-	-	-
Financial assets	-	-	-	-	-	-
Inventories	-	-374	-374	-	-	-
Accounts and other receivables	-	-18	-18	-	-	-
Other provisions and current liabilities	13,955	-429	13,526	-	-	-
Loss carryforwards	40,528	-	40,528	-	-	-
Subtotal	61,300	-59,955	1,345	-	-	-
Offsetting	-59,955	59,955	-	-	-	-
Total	1,345	-	1,345	-	-	-

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	-	-	-
Tangible assets	219	-8,729	-8,510	219	-	219
Right-of-use assets	-	-15,392	-15,392	-	-	-
Financial assets	-	-	-	-	-	-
Inventories	-	-14	-14	-	-	-
Accounts and other receivables	-	-	-	-	-	-
Other provisions and current liabilities	17,847	-426	17,421	-	-	-
Loss carryforwards	21,708	-	21,708	-	-	-
Subtotal	46,689	-60,165	-13,476	219	-	219
Offsetting	-46,332	46,332	-	-	-	-
Total	357	-13,833	-13,476	219	-	219

At December 31, 2023, the Group's loss carryforwards pertaining to federal tax in the US amounted to SEK 161.9 m (89.1). 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 40.5 m (21.7) at December 31, 2023. 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.

The tax cost was SEK 0.6 m (11.4) and the effective tax rate was 3.2% (21.8).

Note 14. Capitalized development costs

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	91,154	88,543	91,154	88,543
Acquisitions	6,878	2,611	6,878	2,611
Closing accumulated cost	98,032	91,154	98,032	91,154
Opening depreciation/-amortization	-55,321	-45,396	-55,321	-45,396
Depreciation for the year	-8,163	-9,925	-8,163	-9,925
Closing accumulated depreciation/amortization	-63,484	-55,321	-63,484	-55,321
Opening accumulated impairment	-11,051	-11,051	-11,051	-11,051
Closing accumulated impairment	-11,051	-11,051	-11,051	-11,051
Closing residual value	23,497	24,782	23,497	24,782

Capitalized development costs includes projects that are assessed could lead to technically and commercially launchable products for Probi. 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.

Note 15. Customer base

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	425,918	369,057	-	-
Translation differences	-16,141	56,861	-	-
Closing accumulated cost	409,777	425,918	-	-
Opening depreciation/-amortization	-177,466	-129,170	-	-
Depreciation for the year	-28,872	-27,544	-	-
Translation differences	8,279	-20,752	-	-
Closing accumulated depreciation/amortization	-198,059	-177,466	-	-
Closing residual value	211,718	248,452	-	-

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

The amortization period for the customer base is 15 years. The asset is tested at least once annually for impairment.

Note 16. Technology and other intangible assets

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	273,073	247,248	93,239	91,422
New acquisitions	4,405	6,175	4,405	6,175
Disposals	-	-4,358	-	-4,358
Translation differences	-6,815	24,008	-	-
Closing accumulated cost	270,663	273,073	97,644	93,239
Opening depreciation/-amortization	-163,822	-139,111	-74,384	-74,012
Depreciation for the year	-18,822	-17,933	-4,271	-4,052
Disposals	-	3,680	-	3,680
Translation differences	4,173	-10,458	-	-
Closing accumulated depreciation/amortization	-178,472	-163,822	-78,655	-74,384
Closing residual value	92,191	109,251	18,989	18,855

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 19.0 m (18.9).

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.

Note 17. Work in progress other intangible assets

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	-	-	-	-
Acquisitions	10,100	-	789	-
Reclassification	3,448	-	-	-
Translation differences	-687	-	-	-
Closing accumulated cost	12,862	-	789	-

Work in progress primarily concerns the upgrading of IT systems.

Note 18. Goodwill

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	353,887	307,011	-	-
Translation differences	-13,307	46,876	-	-
Closing accumulated cost	340,580	353,887	-	-

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 2023 amounted to SEK 340.6 m (353.9). 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 2024–2027. 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 9.69% 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.

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.

Note 19. Buildings and land (leasehold improvements)

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	31,908	15,242	9,265	3,588
Acquisitions	-	5,677	-	5,677
Reclassification	10,074	8,919	-	-
Translation differences	-1,400	2,071	-	-
Closing accumulated cost	40,582	31,908	9,265	9,265
Opening depreciation/amortization	-11,975	-8,240	-4,026	-3,588
Depreciation for the year	-6,186	-2,940	-898	-438
Translation differences	586	-794	-	-
Closing accumulated depreciation/amortization	-17,575	-11,975	-4,924	-4,026
Closing residual value	23,007	19,934	4,341	5,239

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	
	2023	2022	2023	2022
Opening cost	117,500	75,910	-	-
Reclassification	37,288	28,999	-	-
Disposals	-	-	-	-
Translation differences	-6,460	12,591	-	-
Closing accumulated cost	148,328	117,500	-	-
Opening depreciation/-amortization	-52,894	-37,011	-	-
Depreciation for the year	-15,997	-9,876	-	-
Depreciation/amortization of disposed equipment	-	-	-	-
Translation differences	2,866	-6,007	-	-
Closing accumulated depreciation/amortization	-66,025	-52,894	-	-
Closing residual value	82,303	64,606	-	-

Note 21. Equipment, tools, fixtures and fittings

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	21,502	17,387	18,178	15,275
Acquisitions	1,639	3,049	1,639	3,049
Disposals	-207	-146	-207	-146
Reclassification	-	861	-	-
Translation differences	-126	352	-	-
Closing accumulated cost	22,808	21,502	19,610	18,178
Opening depreciation/-amortization	-12,503	-10,080	-10,708	-9,129
Depreciation for the year	-2,729	-2,356	-2,017	-1,680
Disposals	170	101	170	101
Translation differences	106	-168	-	-
Closing accumulated depreciation/amortization	-14,956	-12,503	-12,555	-10,708
Closing residual value	7,852	8,999	7,055	7,470

Note 22. Work in progress

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	53,267	38,732	-	-
Acquisitions	31,164	47,089	-	-
Reclassification	-50,810	-38,778	-	-
Translation differences	-961	6,224	-	-
Closing accumulated cost	32,660	53,267	-	-

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

Note 23. Participations in Group companies

	2023	2022
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	4,826
Probi USA Inc					
81-2766100, Delaware	100%	100%	100	904,991	929,785

Note 24. Interests in other entities

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	108,923	108,923	108,923	108,923
Acquisitions	-	-	-	-
Closing accumulated cost	108,923	108,923	108,923	108,923
Opening revaluation	-28,413	-7,722	-28,413	-7,722
Revaluation	-7,466	-20,691	-7,466	-20,691
Closing accumulated revaluation	-35,879	-28,413	-35,879	-28,413
Closing residual value	73,044	80,510	73,044	80,510

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. Inventories

	Group		Parent Company	
	2023	2022	2023	2022
Raw materials and consumables	49,669	40,594	-	-
Semi-finished products	56,229	65,805	-	-
Finished goods and consumables	10,807	9,846	14,761	8,446
Total	116,705	116,245	14,761	8,446

For inventory valuation principles, refer to Note 2.5.

Note 26. Financial assets and liabilities

	Group		Parent Company	
	2023	2022	2023	2022
Financial assets				
Derivatives identified as hedging instruments				
Foreign exchange forward contracts recognized in income statement	273	-	-	-
Financial assets valued at fair value via other comprehensive income				
Interests in other entities	73,043	80,510	-	-
Financial assets at amortized cost				
Participations in Group companies	-	-	905,289	905,289
Interests in other entities	-	-	73,044	80,510
Accounts receivable	79,792	89,295	29,108	26,713
Cash and cash equivalents	329,650	323,706	283,426	258,185
Total financial assets	482,758	493,511	1,290,866	1,270,697
Financial liabilities				
Financial liabilities at amortized cost				
Trade payables	34,375	34,424	19,172	18,670
Total financial assets	34,375	34,424	19,172	18,670

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						
Dec. 31, 2023	Not overdue	Overdue <30 days	Overdue 30-60 days	Overdue 61-90 days	Overdue >90 days	Total
Estimated not invoiced accounts receivable	-5,990					-5,990
Invoiced accounts receivable	71,358	7,202	2,421	5,153	-	86,134
Provision for doubtful accounts receivable	-65	-7	-252	-27	-	-351
Total accounts receivable	65,302	7,195	2,169	5,126	-	79,792
Expected credit losses (%)	0.1%	0.1%	10.4%	0.5%	-	0.4%
Dec. 31, 2022						
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
Total accounts receivable	72,076	13,188	3,989	42	-	89,295
Expected credit losses (%)	0.1%	0.3%	0.1%	2.7%	-	0.1%

Parent Company						
Dec. 31, 2023	Not overdue	Overdue <30 days	Overdue 30-60 days	Overdue 61-90 days	Overdue >90 days	Total
Estimated not invoiced accounts receivable	400	-	-	-	-	400
Invoiced accounts receivable	27,311	231	-	1,445	-	28,987
Provision for doubtful accounts receivable	-28	0	-	-251	-	-279
Total accounts receivable	27,683	231	-	1,194	-	29,108
Expected credit losses (%)	0.1%	0.1%	-	17.4%	-	1.0%
Dec. 31, 2022						
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
Total accounts receivable	22,982	3,397	334	-	-	26,713
Expected credit losses (%)	0.1%	0.1%	0.1%	-	-	0.1%

CHANGES IN PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE

	Group		Parent Company	
	2023	2022	2023	2022
Opening provision for doubtful accounts receivable	129	145	27	30
New provisions and increase of existing provisions	275	27	279	27
Amounts claimed	-	-	-	-
Unutilized amounts reversed	-50	-60	-27	-30
Currency effects	-3	17	-	-
Closing provision for doubtful accounts receivable	351	129	279	27

Note 28. Prepaid expenses and accrued income

	Group		Parent Company	
	2023	2022	2023	2022
Prepaid rent	832	531	1,319	1,376
Insurance premiums	1,071	1,156	172	248
Sales and marketing costs	1,495	1,202	902	184
IT costs	1,152	1,087	859	799
Other items	1,933	2,353	1,856	2,095
Total	6,483	6,329	5,108	4,702

Note 29. Accrued expenses and deferred income

	Group		Parent Company	
	2023	2022	2023	2022
Accrued holiday pay including social security contributions	8,971	9,858	2,514	3,193
Accrued production costs	1,141	2,057	-	906
Accrued administration and sales costs	3,102	6,196	640	4,704
Accrued remuneration to employees	6,346	9,903	3,621	8,486
Customer prepayments	954	-	-	-
Other items	3,310	2,136	1,291	1,223
Total	23,824	30,150	8,066	18,512

Note 30. Hedge accounting

	Due date	Amount to be In received original currency (+) or paid (-)		Change in value Dec. 31, 2023		Measurement Dec. 31, 2023	
		EUR 000s	SEK 000s	SEK 000s	SEK 000s		
Operational expected cash flows - hedge accounting							
Amount to be purchased	Jan. 26, 2024	-750	-7,509	-273	-7,782		
		-750	-7,509	-273	-7,782		

	Group		Parent Company	
	2023	2022	2023	2022
Opening changes in value	-	115	-	-
Realized hedging instruments	-	-115	-	-
New acquisitions	273	-	-	-
Closing changes in value	273	-	-	-

In 2023, Probi has applied hedge accounting in order to hedge supplier payments in Euro.

Note 31. Activated customer remuneration

	Group		Parent Company	
	2023	2022	2023	2022
Opening cost	-	9,822	-	9,822
Disposals	-	-9,822	-	-9,822
Closing accumulated cost	-	-	-	-
Opening amortization	-	-6,548	-	-6,548
Amortization for the year	-	-3,274	-	-3,274
Disposals	-	9,822	-	9,822
Closing accumulated amortization	-	-	-	-
Closing residual value	-	-	-	-

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

Note 32. Pledged assets and contingent liabilities

	Group		Parent Company	
	2023	2022	2023	2022
Bank guarantee, Swedish Customs	268	268	268	268
Total pledged assets	268	268	268	268

The company has no contingent liabilities.

Note 33. Related-party transactions

Related-party transactions recognized in the statement of comprehensive income:

	Group		Parent Company	
	2023	2022	2023	2022
Revenue from Symrise (largest shareholder)	5,700	9,061	-	-
Expenses from Symrise (largest shareholder)	-	-303	-47	-303

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 34. Earnings per share before and after dilution

Earnings per share before and after dilution are calculated with the following earnings and number of shares:

	Group	
	2023	2022
Earnings attributable to owners of parent (SEK 000s)	16 819	40 622
Weighted average number of common shares outstanding (thousands)	11 394	11 394
Earnings per share before and after dilution (SEK per share)	1,48	3,57

Note 35. Events after the balance sheet date

No significant events occurred after the balance sheet data.

Five-year overview

Income statement (KSEK)	2023	2022	2021	2020	2019
Net sales	627,687	618,285	658,180	717,165	626,192
Cost of goods sold	-407,474	-362,840	-370,173	-407,208	-334,546
Gross profit	220,213	255,445	288,007	309,957	291,646
Sales and marketing expenses	-113,908	-100,936	-88,931	-95,780	-105,113
Research and development expenses	-36,438	-38,348	-37,082	-36,347	-31,046
Administrative expenses	-58,587	-65,909	-54,443	-54,525	-45,989
Other operating income/expenses	40	322	1,692	376	2,044
Operating profit	11,320	50,574	109,243	123,681	111,542
Financial result	6,062	1,400	-1,804	-3,594	-2,019
Earnings before income taxes	17,382	51,974	107,439	120,087	109,523
Income taxes	-563	-11,352	-24,294	-27,394	-23,636
Profit for the year	16,819	40,622	83,145	92,693	85,887
Balance sheet (KSEK)	2023	2022	2021	2020	2019
Intangible assets	680,848	736,372	690,406	673,945	797,948
Tangible assets	194,832	212,352	166,678	103,076	107,320
Financial assets	74,389	80,867	101,502	53,060	6,008
Current assets	210,724	216,591	222,566	194,260	171,372
Cash and cash equivalents	329,650	323,706	251,017	215,552	206,960
Total assets	1,490,443	1,569,888	1,432,169	1,239,893	1,289,608
Equity	1,369,080	1,410,567	1,265,541	1,115,203	1,152,126
Provisions	-	13,833	13,359	3,906	-
Non-current liabilities	43,484	59,081	67,481	34,874	51,564
Current liabilities	77,879	86,407	85,788	85,910	85,918
Total equity and liabilities	1,490,443	1,569,888	1,432,169	1,239,893	1,289,608
Cash flow statement (KSEK)	2023	2022	2021	2020	2019
Cash flow from operating activities before working capital changes	107,498	142,406	184,610	197,916	183,334
Working capital changes	-21,947	13,688	-30,415	-54,552	-9,723
Cash flow from operating activities	85,551	156,094	154,195	143,364	173,611
Cash flow from investing activities	-54,171	-64,589	-97,481	-96,402	-35,117
Cash flow from financing activities	-23,957	-29,308	-27,988	-27,687	-133,014
Net change in cash and cash equivalents	7,423	62,197	28,726	19,275	5,480
Effects of changes in exchange rates	-1,480	10,492	6,739	-10,683	2,181
Total changes	5,943	72,689	35,465	8,592	7,661
Cash and cash equivalents at January 1	323,706	251,017	215,552	206,960	199,299
Cash and cash equivalents at December 31	329,650	323,706	251,017	215,552	206,960

Key ratios	2023	2022	2021	2020	2019
Gross margin, %	35.1	41.3	43.8	43.2	46.6
EBITDA, SEK m	107.5	136.3	182.5	196.5	183.4
EBITDA margin, %	17.1	22.0	27.7	27.4	29.3
Average number of employees	165	168	178	170	165

Share data	2023	2022	2021	2020	2019
Earnings per share before and after dilution, SEK	1.48	3.57	7.30	8.14	7.54
Share price on closing day, SEK	203.00	204.00	397.50	422.00	222.00
Market cap on closing date, MSEK	2,313	2,324	4,529	4,808	2,529
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 78-79.

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:

	2023	2022	2021	2020	2019
Net sales	627,687	618,285	658,180	717,165	626,192
Currency effects	21,675	70,014	-35,099	-14,551	21,280
Net sales adjusted for currency effects	606,012	548,271	693,279	731,716	604,912

Net sales growth

Net sales growth is defined as this year's net sales divided by the previous year's net sales and is used to measure underlying net sales growth

Calculated as the year's net sales divided by the previous year's net sales:

	2023	2022	2021	2020	2019
Net sales	627,687	618,285	658,180	717,165	626,192
Net sales growth	1.5%	-6.1%	-8.2%	14.5%	

Organic growth

Organic growth is defined as the year's net sales converted to the previous year's exchange rates and excluding acquired operations divided by the previous year's net sales and is used to measure underlying net sales growth.

Calculated as the year's net sales converted to the previous year's exchange rates and cleared for acquired operations divided by the previous year's net sales:

	2023	2022	2021	2020	2019
Net sales adjusted for currency effects and acquired operations	606,012	548,271	693,279	731,716	604,912
Net sales	627,687	618,285	658,180	717,165	626,192
Organic growth	-2.0%	-16.7%	-3.3%	16.9%	0.1%

Gross margin

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:

	2023	2022	2021	2020	2019
Gross profit	220,213	255,445	288,008	309,957	291,646
Net sales	627,687	618,285	658,180	717,165	626,192
Gross margin	35.1%	41.3%	43.8%	43.2%	46.6%

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:

	2023	2022	2021	2020	2019
Profit for the year	16,819	40,622	83,145	92,693	85,887
Financial result	-6,062	-1,400	1,804	3,594	2,019
Income taxes	563	11,352	24,294	27,394	23,636
Operating profit (EBIT)	11,320	50,574	109,243	123,681	111,542

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:

	2023	2022	2021	2020	2019
Operating profit (EBIT)	11,320	50,574	109,243	123,681	111,542
Net sales	627,687	618,285	658,180	717,165	626,192
Operating margin	1.8%	8.2%	16.6%	17.2%	17.8%

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:

	2023	2022	2021	2020	2019
Operating profit (EBIT)	11,320	50,574	109,243	123,681	111,542
Amortization, depreciation and impairment of non-current assets	96,203	85,682	73,285	72,780	71,891
EBITDA	107,523	136,256	182,528	196,461	183,433

EBITDA margin

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

Calculated as EBITDA divided by net sales:

	2023	2022	2021	2020	2019
EBITDA	107,523	136,256	182,528	196,461	183,433
Net sales	627,687	618,285	658,180	717,165	626,192
EBITDA margin	17.1%	22.0%	27.7%	27.4%	29.3%

Equity ratio

Equity ratio is defined as Equity as a percentage of total assets at the end of the period and is used to show what proportion of the company's assets have been financed with equity.

Calculated as Equity divided by total assets:

	2023	2022	2021	2020	2019
Equity	1,369	1,411	1,266	1,115	1,152
Total assets	1,490	1,570	1,432	1,240	1,290
Equity ratio	91.9%	89.9%	88.4%	89.9%	89.3%

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:

	2023	2022	2021	2020	2019
Share price at the end of the period	203.0	204.0	397.5	422.0	222.0
Number of outstanding shares	11,394,125	11,394,125	11,394,125	11,394,125	11,394,125
Market cap on closing date, MSEK	2,313	2,324	4,529	4,808	2,529

Signatures for the annual report

The Annual Report and consolidated financial statements were approved for issuance by the Board on March 19, 2024. 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 May 7, 2024 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 generally 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 26-39.

Lund, March 19, 2024

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
CEO

Our audit report was submitted on March 21, 2024
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 2023. The annual accounts and consolidated accounts of the company are included on pages 42-82 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards), 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 23,5 MSEK in the consolidated statement of financial position and in the financial statement of the parent company per 31 December 2023. 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 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.

Goodwill, Customer Base, Technology and Shares in subsidiaries

Description

Customer Base, Technology and Goodwill amount to 644,5 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 2023. 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-generating 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 18. Note 15 through 16 and 18 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 1-41 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.

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 annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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 ABC AB (publ) for the year 2023 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.

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 2023.

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 ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable 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 validation that the Esef report has been prepared in a valid XHTML format 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 consolidated statement of financial performance, financial position, changes in equity, 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 4 May 2023 and has been the company's auditor since the 2 May 2018.

Lund 21 March, 2024
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. CEO Symrise AG (effective March 31, 2024).

Previous leadership roles at Symrise, Air Liquide, Danisco, Rhodia, Rhône-Poulenc, Merial and Pfizer.

Other Board assignments: Chairman of the Board of VetAgroSup and board member of Swedencare.

Holdings 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:

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 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. Chief People and Culture Officer at Tretton37 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: Board member of Vitec Software AB.

Holdings in the company: -

Independent in relation to the company: Yes

Independent in relation to major shareholders: Yes

Executive management team



Anita Johansen

CEO

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



Per Lindblad

CFO

Born: 1966.

Education: M.Sc. Economics & Business
Administration, Copenhagen Business School.

Background: Per took office in November 2023.
Per most recently worked for ABF
Ingredients, a division of Associated British
Food, where he served as CFO. He has previously
held senior positions in finance, IT and supply
chain at Chr. Hansen and CP Kelco. Per has exten-
sive experience in financial management, busi-
ness development and M&A.

Holdings in the company: 191 shares

The Probi extended management team
includes the 3 regional sales leads for
N. America, EMEA and APAC respectively
as well as our global marketing lead.
They all report directly to the CEO.



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: –



Christina Vegge

Senior Director Research & Development

Born: 1973

Education: M.Sc. Pharmacy, Ph.D. Molecular Microbiology from University of Copenhagen.

Background: Christina joined Probi in January 2023 as Director of Discovery & Clinical Research and assumed the role as Sr. Director R&D in September the same year. Member of the management team from 2024. Christina has broad microbiology and leadership experience from academic research as Associate Professor at Copenhagen University and leading industrial development of microbial solutions in the form of Probiotics, dairy cultures and Live Biotherapeutics Products at Bacthera and Chr Hansen. positions in research and development at companies such as Novo Nordisk, Chr. Hansen and Bacthera.

Jim Anthony

VP of Operations (Interim)

Annual General Meeting

The Annual General Meeting (AGM) will be held on Tuesday, May 7, 2024 at 3:00 p.m. at Elite Hotel, Ideon Gateway, Scheelevägen 27, Lund.

Right to participate and postal voting

An individual is eligible to participate in the meeting if he/she is registered as a shareholder in the share register maintained by Euroclear Sweden AB as of **Friday, April 26, 2024** and if he/she notifies the company of his/her intention to participate in the meeting no later than **Tuesday, April 30, 2024**. 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 **Tuesday, April 30, 2024**. 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 2024 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. The form for postal voting must be received by Probi no later than **Tuesday, April 30, 2024**.

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.

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

Financial calendar

Interim report Q1, 2024	April 23, 2024
AGM for 2023	May 7, 2024
Record date for dividend	May 10, 2024
Payment date for dividend	May 15, 2024
Interim report Q2, 2024	July 16, 2024
Interim report Q3, 2024	October 22, 2024
Year-end report 2024	January 28, 2025

European Single Electronic Format (ESEF) - elements included in the 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	Limited liability company
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

