



# Annual Report 2020



**Probiotic  
pioneers with  
a passion for  
people**

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# Probi in brief

Probi AB is a Swedish listed biotechnology company.

## One of the largest, leading probiotic companies in the world

Probi was founded by researchers in Lund in 1991. Today we are one of the largest and leading global probiotic companies with a total of four units in the USA, Sweden and Singapore. Probi has a strong and broad product portfolio, primarily in the areas of digestive health and the immune system.

## Own fermentation and production

Probi has its own capacity for fermentation, formulation and production, which are conducted in GMP certified facilities. Probi develops, manufactures, markets and sells probiotics in the form of powder, capsules, tablets or food in close collaboration with leading health, pharmaceutical and food companies.

## Commercial research

Probi is a leader in innovation and development and invests large resources in commercially-based and structured research and development. All projects are based on customer needs. In recent years, Probi has presented a number of studies with findings that are important for Probi's future development. Probi has over 400 patents worldwide.

## Our vision

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

## Our mission

Providing probiotics for healthier lives worldwide. Millions of people suffer from health issues that can benefit from careful addition of probiotics. At Probi, our mission is to provide high-quality probiotics, backed by science, grown with care and manufactured into novel forms. This is how we make life healthier for consumers worldwide.



## Probiotics

Probiotics for us at Probi are different types of bacterial strains with beneficial effects on health and which support the good bacteria that are found naturally in the gut and intestinal tract. Today, it is well-established to use probiotics to restore and maintain the balance in the gut flora.

There are millions of different bacterial strains and each of them has a specific effect; to prevent flatulence, colds, and so on.

It is an extensive job to find the right bacteria among all strains. In addition, the bacteria must be able to survive in the acidic gastric environment and be suitable for various products, such as food with a certain pH value.

Scientific tests and documentation are required to communicate health benefits of a product to consumers.

## A leading global probiotic company

**176**

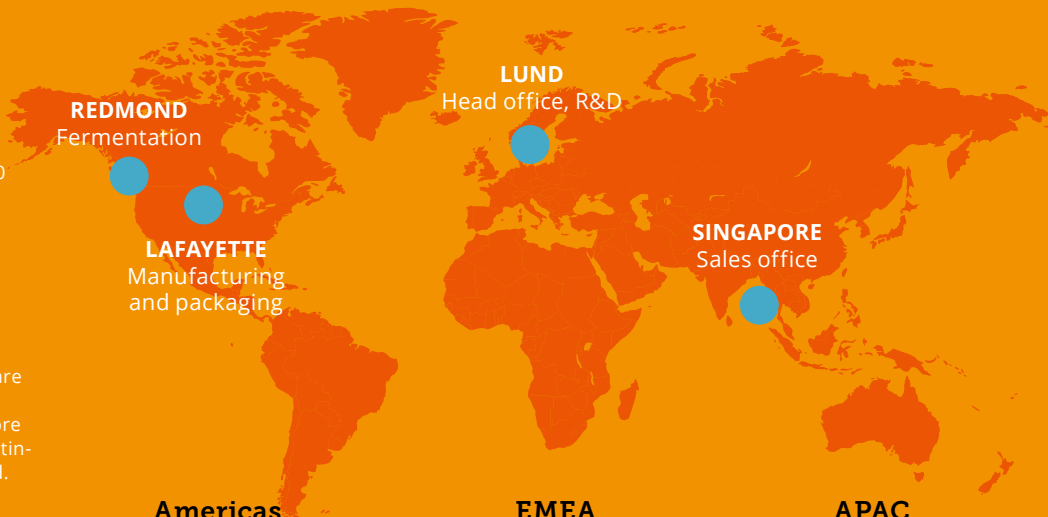
At the end of 2020 Probi had 176 employees.

**>40**

Probi's products are sold in over 40 countries and more countries are continually being added.

**+400**

Probi has over 400 patent worldwide.



**Americas Region**

**79%** of net sales 2020

**EMEA Region**



**15%** of net sales 2020

**APAC Region**

**6%** of net sales 2020

## A broad product portfolio

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

-  Digestive health
-  Immune health
-  Bone health
-  Iron absorption
-  Women's health
-  65+ Senior health
-  Children's health



### Probi ClinBac™

Probi ClinBac™ offers Probi's exclusive, patented health concepts with clinically well-documented probiotic strains. Within Probi ClinBac™ are Probi Defendum®, Probi Digestis®, Probi Ferrosorb® and Probi® Osteo.



### Probi LiveBac®

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

# The year in brief

## 01 | FIRST QUARTER

- Probi and the American company Viva5 Corporation entered into a strategic partnership with a jointly-owned company for the development of probiotic products in new market niches.
- In-depth collaboration with one of the largest customers in the US connected with the customer's product upgrade.
- New members of the management team; Basudha Bhattarai-Johansson (Vice President HR), Shane Judge (Vice President Sales & Marketing).

## 02 | SECOND QUARTER

- The Board decided on new financial targets and dividend policy.
- Pan-European partnership agreement with a major player in consumer healthcare for launch in 15 countries from 2021.
- Bengt Jeppsson, one of the founders of Probi, named winner in the NutraChampion category in of the Nutra Ingredients Awards.
- The Annual General Meeting was held on May 13, in Lund.

## 03 | THIRD QUARTER

- Research study showing a link between probiotics and reduced side effects from stress published together with Lund University.
- New member of the management team: Peter Dybdahl Hede (Vice President R&D).

## 04 | FOURTH QUARTER

- Acquisition of shares in Vital Nutrients Holdings as part of a long-term strategic partnership.
- Large study confirms that Probi Defendum® strengthens the immune system during common colds.

## Why you should invest in Probi



### Strong trends are driving the market

Several global trends and driving forces are creating increased demand for Probi's products. The global market for probiotic supplements is expected to grow by just over 20% by 2025.



### Clear strategy for growth

Probi will grow through a stronger market presence and greater market share in key markets. Organic growth will be complemented by strategic partnerships and acquisitions.

## THE YEAR IN FIGURES

SEK k	2016	2017	2018	2019	2020
Net sales	443,475	612,244	604,117	626,192	717,165
Net sales growth, %	105.6	38.1	-1.3	3.7	14.5
Currency-adjusted net sales growth, %	103.2	38.2	-2.2	0.1	16.9
Gross margin, %	61.0	45.4	46.0	46.6	43.2
EBITDA	152,568	157,318	154,937	183,433	196,461
EBITDA, %	34.4	25.7	25.6	29.3	27.4
Operating profit (EBIT)	119,965	104,087	101,116	111,542	123,681
Operating margin, %	27.1	17.0	16.7	17.8	17.2
Net income	101,847	69,092	76,250	85,887	92,693
Earnings per share SEK	10.7	6.1	6.7	7.5	8.1
Equity/assets ratio, %	74	80	85	89	90

**717 SEK m**

Net sales

**124 SEK m**

Operating profit

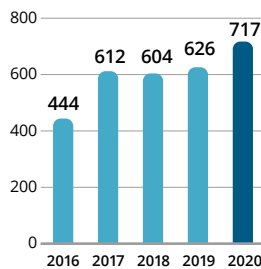
**27%**

EBITDA margin

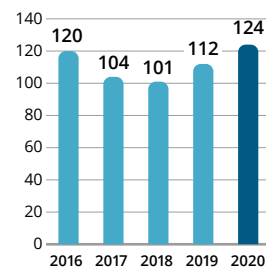
**90%**

Equity/assets ratio

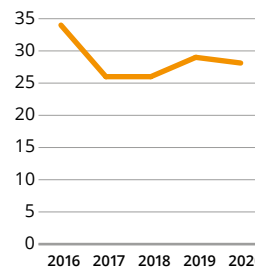
Net sales (SEK m)



Operating profit (SEK m)



EBITDA margin (%)



### World class research and development

Our research and development is based on the customer needs we identify in the market. We do not touch a test tube without knowing that there is a market for the product. We are at the forefront of research and development in probiotics – a position we will never relinquish.



### We contribute to a healthier life

Probi provides high quality probiotics, supported by science. Therefore we can contribute to a healthier life for consumers all over the world.



### Control over the value chain

Probi is a vertically integrated global probiotics Group with control over the entire value chain – from research and development, formulation, and production to sales and marketing.

# A successful year increases our opportunities for continued growth

We have three clear strategic focus areas at Probi: doubled sales, lead the way in innovation and development and manufacturing excellence. In 2020, we worked intensively on all of these areas and despite an extremely challenging surrounding world, we have successfully delivered in all of them. There are few things that I think we could have done any better.

A year ago, my ambition was for Probi to have double-digit growth in 2020. To clarify this ambition, we decided on new financial goals during the year. It has been an extremely challenging year that put many of us to the test. I am therefore happy and proud that we are now showing that Probi is genuinely a growth company and end this year with organic growth of 15%. We did not completely reach our profitability target, but many of the measures we are taking, including upgrading production, will show that we can reach our targets in 2021.

## Mixed performance in the three regions

The geographical markets have been affected in a number of ways by what has characterized the entire year – Covid-19. The Americas was strong while there were major challenges in EMEA and APAC.

We saw a clear increase in interest in health-enhancing products in the US. Buying patterns, including a significant trend towards e-commerce, may have contributed to the market having the conditions to better parry the effects that the pandemic brought with it. Also less extensive lockdowns at the beginning of the year may have had limited constraining effects at a consumer level. At the same time, we have invested in increasing our resources in the US with a focus on growth in the ClinBac™ segment. This showed clear results during the year and we increased sales to new customers by as much as ten times in premium products, albeit from relatively low levels, but it also points to the potential for our products. We are

optimistic about the opportunities for continued growth with new and existing customers within ClinBac™ in the US.

APAC and EMEA introduced early lockdowns in their communities in 2020 and we saw a significant stock accumulation by our customers to ensure access to our probiotics. This affected sales in these regions during the second half of the year, which was also not helped by the fact that many countries started new lockdowns during the autumn. We have worked to strengthen our organization in APAC and at the end of the year we had a new team in place. I therefore feel very confident that we will regain our previously strong growth in the region.

In EMEA, performance over the year was weaker and success depends on finding established partners in important key markets. It is therefore very satisfying to have signed an agreement with Perrigo, a respected global healthcare and pharmaceutical company with a strong position in Europe, for a pan-European launch of products based on ClinBac™ strains. It will be an important factor in our resurgence to growth in the European market.

## Growth through acquisitions

In order to achieve our growth target, acquisitions and collaborations are absolutely crucial. We initiated two strategic collaborations in 2020 through co-ownership. The ownership in Vital Nutrients means an in-depth collaboration with one of our most important customers in the US and I have high hopes





**"I'm proud and happy that we are back in double-digit growth figures again."**

**Tom Rönnlund**  
CEO

that it will provide growth as early as 2021. At the same time, we are actively working to evaluate suitable and attractive acquisitions to complement our business. Priority geographical areas are Asia and Europe where we hope to increase our presence and achieve a better geographical balance of revenue. Our focus is still on high-quality probiotic product portfolios. Our strong financial position gives us a good chance of succeeding.

#### **Greater investments in innovation and development**

Probi will lead the way in innovation and development. The past year has presented special challenges and certain clinical studies have been delayed. Nevertheless, we have succeeded in initiating three new trials and published two completed studies, one of which is one of the largest ever of probiotics in the field of immune health. We are introducing a significant increase in resources in innovation and development in the coming year, which will enable a number of new studies. Digestive and immune health are still the major areas, but we see that more categories will assume increased importance, including metabolic health, women's health and mental health. During the year, we also expanded our academic collaborations within for example vaginal health.

#### **Upgrading improves our competitiveness**

It is an important competitive advantage for Probi to have its own world-class manufacturing capacity. At the end of 2019, we began upgrading our manufacturing facility in Redmond. We

were aware that it was a challenge to complete this thorough upgrade and at the same time maintain the existing production capacity. We did not count on 2020 being an extraordinary year with Covid-19. I am therefore incredibly impressed by our team in the US who succeeded in completing this upgrade while maintaining production and at the same time fending off the challenges that the pandemic entailed. We have a few more months of finetuning to go, but these improvements will increase both efficiency and capacity. This means that we can offer even greater stability in our products, expand our close product development collaborations with customers and also have more efficient manufacturing that will contribute to improved gross margins.

In a world that was characterized in 2020 by new conditions, changed working methods and challenges to address the market, we succeeded in both growing and strengthening the business. I am grateful to and extremely proud of all the fantastic employees at Probi who have done their utmost and contributed to Probi delivering its strongest year ever.

**Tom Rönnlund**  
CEO

# Probi – First in Probiotics

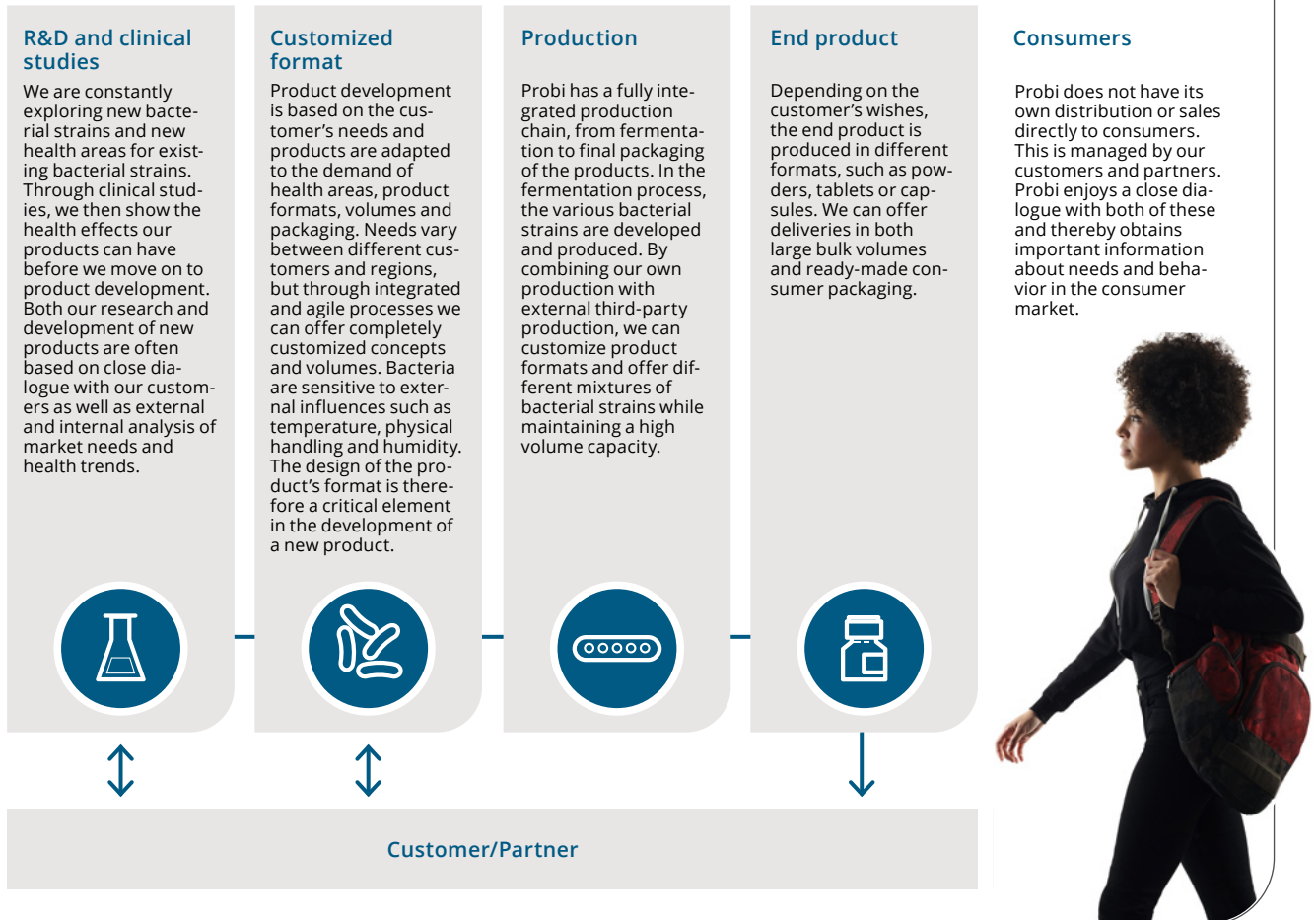
## Business concept

Probi is a vertically integrated global probiotics Group which in close collaboration with its customers, develops, manufactures, sells and markets probiotics with scientifically documented health effects.



## Business model

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



# 4C

## Our core values

These core values guide us in our daily operations and are a foundation for all employees, regardless of position or role at the company.



# Goals and goal achievement

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

## Financial goals

Doubled sales with good profitability

Goal	Outcome 2020	
Double the company's annual sales within five to seven years through a combination of organic growth and strategic acquisitions. The goal is for annual organic sales growth to exceed 7%.	Organic growth was 15% (4%).	<b>15%</b>
The EBITDA margin shall amount to or exceed 29% on an annual basis.	The EBITDA margin was 27% (29%).	<b>27%</b>



**“Overall we had a strong performance in 2020, with growth at Group level of 15% and an operating profit that grew by 11%.”**

## Probi grew by 15% in 2020

**Growth reached over 15% at Group level, but the performance varied between regions.**

Growth in the Americas exceeded 20%, and it increased its share of total net sales from 75% to 79% in 2020. EMEA and APAC were clearly affected by Covid-19, where inventory accumulation by customers took place during the first half-year, which then resulted in a weaker performance during the second half-year.

The EBITDA result rose by 7% to SEK 197 m. The EBITDA margin declined slightly in 2020 and ended up at 27%, which was largely due to a lower gross margin due to the product mix in sales and a production disruption at the beginning of the year. Sales and marketing costs fell as travel decreased and some customer events were canceled or went digital. At the same time, we have made investments in R&D and business development, which has contributed to higher costs. All-in-all, this meant slightly higher operating costs in 2020.

Probi's sales are largely in foreign currencies, the largest of which is the

US dollar, which accounts for 79% of sales. Exchange rate trends had a negative effect on net sales and currency-adjusted net sales amounted to SEK 732 m, corresponding to a growth of 17%. As a large part of the production costs and purchases also are accounted for in US dollars, the results were only impacted to a limited extent.

In 2020, we invested SEK 30 m in upgrading our manufacturing units in the US. Investments are important to increase capacity and efficiency going forward. We expect to see the results from these investments during the second half of 2021.

Despite large investments in facilities and acquisitions, we have further strengthened our cash flow and at the end of 2020 had SEK 216 m in cash. Our financial position is strong with a balance sheet without interest-bearing loans and an equity/assets ratio of 90%. It gives us the freedom to continue to grow and reach our financial goals.

**Henrik Lundkvist**  
CFO

# Probi's strategic focus areas

Probi's strategy is based on three main pillars: doubled sales, lead the way in innovation and development, and manufacturing excellence. With these three main strategies, Probi will become First in Probiotics.

**OVERALL GOAL:**

**Doubled sales**



**STRATEGY:**

**Organic growth and strategic acquisitions**

- Stronger position in scientifically validated products for gastrointestinal and immune health
- Increased presence in the US, China and other growth markets
- Greater number of key global customers
- More strategic partnerships and acquisitions in relevant geographies and segments

**OVERALL GOAL:**

**Lead the way in innovation and development**



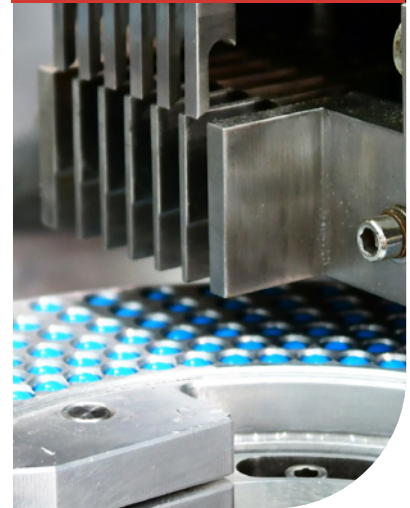
**STRATEGY:**

**Higher development rate of new products**

- Expanded range with more clinically documented offers
- Higher number of international research collaborations
- Evaluation of growth potential in areas related to probiotics

**OVERALL GOAL:**

**Manufacturing excellence**



**STRATEGY:**

**Efficient manufacturing**

- Facilities with guaranteed high-quality production capacity, adapted to market needs
- New manufacturing capabilities in growth regions
- Focus on long-term improved gross margins

# Probiotics are all over the world



The global market for probiotic supplements accounts for about 17% of the total market for probiotics and had sales of around EUR 5.9 bn at the consumer level in 2020 according to Euromonitor. The market for probiotic supplements, which has grown by an average of 8.6% over the past five years, saw strong growth of over 10% in 2020. By 2025, the market is expected to have an annual growth rate of 3.8% according to IPA (International Probiotics Association).

### North America

North America accounts for about 35% of the total market for probiotic supplements, and the US is the single largest market in the world. Growth in the region has averaged around 6% over the past five years. In 2020, a greater interest in personal health contributed to a 10% growth in probiotic supplements. The forecasts for 2025 are that the market will continue to grow but not at the same high rate as it did in 2020.

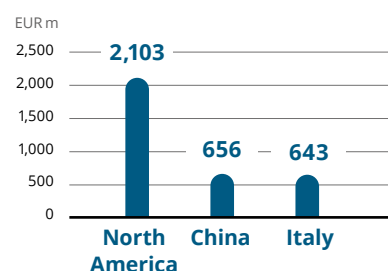
### EMEA

EMEA (Europe, Middle East and Africa) accounts for about 28% of the market for probiotic supplements, with Italy, Russia and France together accounting for about 60%. Italy is the country that has the highest consumption of probiotic supplements per capita. Growth in Europe as a whole is expected to stagnate over the next five years, but the picture is fragmented between different countries. Some countries such as Spain, Turkey and the United Kingdom are expected to have stronger growth until 2025. In 2020, demand increased but at a somewhat slower pace than before and with a relatively large variation between different parts of the region.

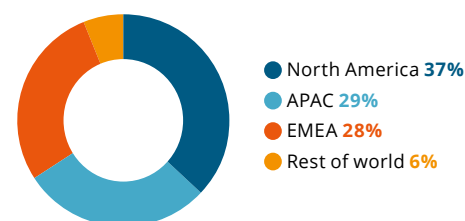
### Asia and Pacific area

The Asian market accounts for just under 30% of the dietary supplement market and is mainly driven by China, South Korea, Japan and Australia. China is the world's second largest market and is expected to grow by just over 10% per year by 2025. In 2020, the market was affected by the Covid-19 pandemic and demand for probiotics has slowed somewhat but still increased by about 13%.

The world's three largest markets for probiotic supplements in 2020

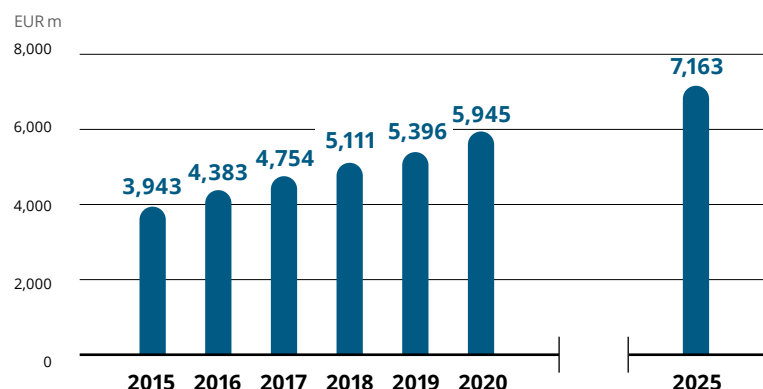


Distribution of sales of probiotic supplements in the world 2020



Source: Euromonitor

### Total market for probiotic supplements



**3.8%**

Expected annual global growth of probiotic supplements 2020–2025

# 4 trends

## driving the probiotic markets of the future



### Larger proportion of older people

**2** According to the UN, the world's population is expected to grow to just under 10 billion by 2050.

The proportion of older people is expected to double, and more than every fifth person will then be over 60 years old. As people get older, the gut flora changes and becomes more unbalanced, which can lead to weakness and inflammatory diseases. Products with probiotics have proven to be a good way to counteract this imbalance and improve health. For women, bone health is also an area where probiotics have shown positive effects to counteract the weakening of the skeleton with increasing age. A large part of the elderly population today has more purchasing power and, together with a growing interest in self-care and higher well-being, this is driving interest in probiotic products.



### New areas of use

**1** Research in the gut flora and probiotics has developed significantly in recent years thanks to new technology that has enabled a deeper understanding of the human microbiome\*.

This development has led to greater knowledge about more connections between our health and the gut flora. The market is expected to continue to be dominated by established areas such as gut health and the immune system, but in line with in-depth research and more studies, new areas of indication are emerging. Of great interest are areas such as weight control and mental health. Type 2 diabetes, which is closely linked to obesity, is a disease that is growing with 10 million new cases per year, and around 400 million people in the world are estimated to suffer from it. Stress-related illnesses are also steadily increasing and according to the WHO, mental illness is the fastest growing, and the greatest threat to human health in the future. The use of antibiotics in the world has increased, which has led to an escalation of antibiotic resistance. Infections caused by resistant bacteria, also called multi-resistant bacteria, cause about 500,000 deaths annually in the world. In some areas, such as vaginal health, treatment with probiotics instead of, or together with, antibiotics has shown good results and is an area that will see greater interest. Other areas where probiotics are considered interesting are oral health, skin health, physical endurance and cardiovascular health.

\*Microorganisms that live together in a certain biological environment. The microbiome in the gastrointestinal tract is called the microbiota.

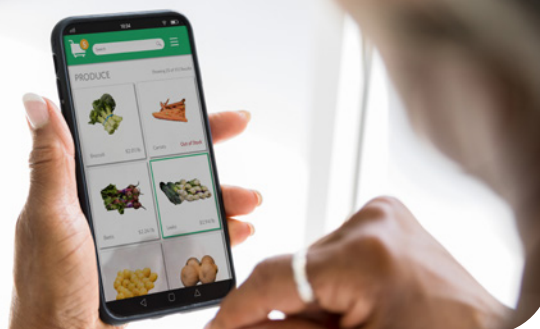
**"A large part of the elderly population today has more purchasing power and, together with a growing interest in self-care and higher well-being, this is driving interest in probiotic products."**





**“Food and health products are categories that have shown a clear rise. This new, increased buying behavior is expected to continue even after the pandemic has passed.”**

## Growth in new distribution channels



3

**In 2020, there was a change in buying patterns and customer behavior as a result of Covid-19. E-commerce has increased significantly and has had a major impact on the elderly population as well. Food and health products are categories that have shown a clear rise.**

The pandemic has changed and increased certain buying behavior, which is expected to continue even after the pandemic has passed. The e-commerce channel for probiotic consumer products had grown strongly even before 2020 and is expected to see continued strong global growth. Extended e-commerce outlets also mean improved opportunities for consumers to seek information and it is clear that awareness of health and self-care is increasing and that active and personal choices are being made. In addition to e-commerce, channels such as multilevel marketing (MLM) are also increasing, which is noticeable in Asia, where international MLM players have grown in recent years, according to the industry magazine NutraIngredients.



## Higher living standards and interest in health and sustainability

4

**Interest in health and self-care is increasing worldwide, something that has escalated during the Covid-19 pandemic.**

In addition to the interest in their own health, consumer awareness of sustainable food production and food's nutritional content is also increasing. The greater prosperity in the world, with a growing middle class, especially in Asia, benefits purchasing power and a growing number of people can afford and invest in their own well-being. This has contributed to a boom in health products such as probiotics.

## Market players

**There are many players in the probiotic market.**

Different collaborations, partnerships or other business relationships between the various players in the market are also common. In recent years, ingredient and pharmaceutical companies have acquired probiotic companies and started a consolidation of the market, a trend that continued in 2020. This indicates that there is greater interest from other, related industries to invest in the growing probiotic market.

There are various categories of players in the market, such as research and development companies, manufacturers, sales companies and brand owners. There are also a number of integrated players who are active in the entire value chain within B2B. Some of the leading global players are Chr. Hansen of Denmark, DuPont of America and Lallemand of Canada. Probi is one of the leading global companies, but unlike these three companies, Probi focuses exclusively on probiotics. Most other players are geographically focused on a specific regional market.

**Probi will  
be a growth  
company  
and the goal  
is to double  
sales in the  
long-term**



**GOAL:**  
**DOUBLED**  
**SALES**

To achieve the goal of doubling the size of our sales, we are investing major resources in strengthening our market presence and increasing our market shares by focusing on our ClinBac™ products. Sales growth will be generated from both expanded collaborations with existing customers and completely new customers. This is complemented by long-term strategic partnerships and acquisitions in areas that supplement or strengthen Probi's business. In 2020, we increased sales by 15% to SEK 717 m. 20% of the growth came from completely new customers.

**How we shall achieve our goals**

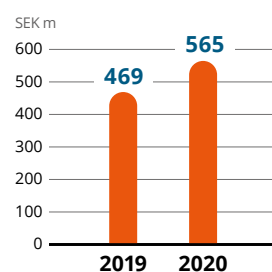
**What we achieved in 2020**

- > Stronger position in scientifically validated products for gastrointestinal and immune health
- > Increased presence in the US, China and other growth markets
- > Greater number of key global customers
- > More strategic partnerships and acquisitions in relevant geographies and segments

- ✓ Interest in immune products increased in 2020 and with Probi's clinically validated immune concept Probi Defendum®, our position in the US in particular improved.
- ✓ Agreements with five new key customers were signed in 2020.
- ✓ Strategic partnership with Viva5 through the jointly-owned company VivaPro. The purpose is to evaluate spore-forming bacteria and develop the business in food products.
- ✓ Strategic partnership with Vital Nutrients through co-ownership. The purpose is to develop new probiotic concepts and collaborate in research and development and manufacturing. One of the brands, Hyperbiotics, is already a customer of Probi and through the partnership, a new long-term supply agreement for probiotics has also been secured.

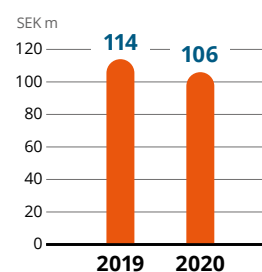
**Net sales per region**

**Americas**



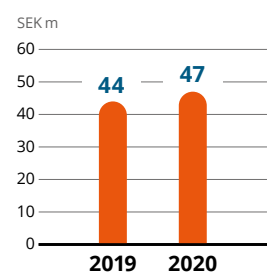
**20%**  
Growth 2020

**EMEA**



**-7%**  
Growth 2020

**APAC**



**6%**  
Growth 2020

**GOAL: DOUBLED SALES**

# There's a huge interest in probiotics all over the world

**INTERVIEW WITH**

Shane Judge – VP Sales and Marketing

**“Our customers want to be able to say that their products have proven health effects on people. That's why they choose Probi.”**

**Shane Judge, didn't feel the step was so big when he left the biotechnology and pharmaceutical industry in 2020 to start as Vice President Sales and Marketing at Probi in Lund.**

“Probi is a research-driven company. Today, I still lead teams that sell products with scientifically proven health effects. Probi has published several articles and studies in reputable medical journals such as The Lancet and for me it strengthens our status and the trust our customers have in us. In addition, I see that the people at Probi are just as passionate about helping people as the pharmaceutical industry is. Maybe even more so,” he says.

“Our customers want to know and be able to say that their products have proven health effects on people. They see Probi as credible considering that we have been researching and scientifically documenting probiotics for 30 years. The fact that we can also adapt our bacteria to a number of different products that customers want makes us even more attractive.”

Shane notes that the interest in, and market for, probiotics is already huge worldwide. For Probi, it is about taking advantage of these opportunities through increased sales efforts to gain market share in both the US and EMEA, as well as in APAC. An important goal is to expand the customer portfolio in all regions with more large and mid-sized customers, as a complement to existing

customers. We do this by growing our business with existing customers and gaining new customers.

“It's in Probi's four ClinBac™ areas that demand in the world is growing rapidly. In the US, where about half of our sales consist of scientifically validated products, there is a great demand for probiotics with effects in the gastric and immune system. In Asia, which is still a fairly new market for Probi, we are increasing our presence and offering all four ClinBac™ strains to existing and new customers. We are focusing in particular on the rapidly-expanding Chinese market.”

Partnerships in various forms can also be important. Long-term collaborations such as those we have today with large





international companies make a significant contribution to our sales. In addition, Probi has the ability to both establish relationships with customers through its research and at the same time initiate new areas of development.

“We connect the knowledge and feedback we receive from customers with our own research, and in this way explore completely new areas of use, which gives us fantastic opportunities in the future.”

The pandemic has become a problem that must be overcome. Relations with existing customers have not been significantly affected, but some product launches have been delayed somewhat. For e-commerce customers, we have seen greater sales in this channel as a

result of changed buying patterns during the pandemic. Furthermore, digital meetings have in principle replaced the conferences and trade fairs that were previously our meeting places.

Shane sees the ongoing consolidation in the probiotic market as a natural consequence of development and market growth. The fact that both Probi and the largest competitors are investing in other companies and starting new strategic collaborations is somewhat reminiscent of the consolidation of the pharmaceutical industry. “Probi’s role in probiotics and research means that our position with customers will always be strong,” he concludes.



CUSTOMER CASE

# With Probi as a partner, Metagenics is developing the probiotic market in Australia



**“A strength of our partnership with Probi is that they always take the time to really understand our business, our strategy and our market dynamics.”**

**INTERVIEW WITH**  
Paula Hann, Metagenics

**Metagenics, Australia’s leading player in high-quality supplements, has had a successful collaboration with Probi since the early 2000s. Several of Probi’s ClinBac™ products are included in Metagenics’ large portfolio of probiotic products.**

“Our brands are known for their quality and credibility. Metagenics Natural Medicines are based on proven health effects and are approved by the Therapeutic Goods Administration (“TGA”, Australia’s equivalent to the Swedish Medical Products Agency). Our products are only sold through pharmacies and by healthcare providers such as doctors and nutritionists. This requires

that our partners can deliver a probiotic product of the highest quality and with well-documented research. With its major investments in probiotic research and stable strains, Probi is a very reliable partner,” says Paula Hann, Managing Director of Metagenics Australia and New Zealand.

“A strength of our partnership with Probi is that they always take the time to really understand our business, our strategy and our market dynamics. In addition to this, Probi’s annual partner conference, in which we always participate, is completely unique in the industry. But by far the most important thing in the partnership is that they deliver probiotics that work.”

Paula has worked at Metagenics (formerly Health World) for almost 20 years and has seen the incredible development and growth of the probiotic market in Australia up close.

“Metagenics was a pioneer in probiotics with specific bacterial strains for various health areas. We launched Probi’s *L. Plantarum* 299v (LP299V®) with approval from the TGA for Irritable Bowel Syndrome (IBS) in 2003. This was an exciting time in the development of probiotic products and paved the way for many more innovations. Since then, we have continued with a lot of launches in the category and in this way driven the development in scientifically well-documented premium



Metagenics has its head office in Brisbane, Australia

probiotics. Today we sell Natural Medicines with Probi's probiotics in the immune system, gastric health and iron absorption sectors."

Australia has a unique relationship with probiotics. Australia is one of the few markets in the world where producers can, after regulatory approval, make health claims for their products. The regulation of the market puts demands on the players, but also means good growth opportunities for those who can substantiate their claims with research.

There is widespread interest in health and dietary supplements among consumers, and today every sixth

Australian uses probiotics. Over the past year, the Covid-19 pandemic has contributed to increasing interest in products that strengthen the immune system, which is also reflected in Metagenic's increased sales.

In the healthcare and health area, the understanding of the possibilities with premium probiotics is increasing. Today, they are prescribed not only for people's general well-being but also for specific health problems.

"Probi will continue to be an important partner for us in the future as well. We have great confidence in the company's research and products," concludes Paula Hann.



**Our driving force is to find and develop new probiotic solutions that can contribute to a healthier life**



**GOAL:**  
**LEAD THE WAY IN  
INNOVATION AND  
DEVELOPMENT**

We are research-driven and constantly evaluate new health areas in probiotics in collaboration with both industry partners and independent university groups around the world. Our main research areas include gastrointestinal health, immune systems, bone health, stress and mental health, as well as iron absorption and women’s health. We strongly believe in clinically proven effects and invest continuously in preclinical and clinical studies to document the positive health effects of probiotics. We carry out our research with high demands on ethical principles and of course follow international and local regulations.

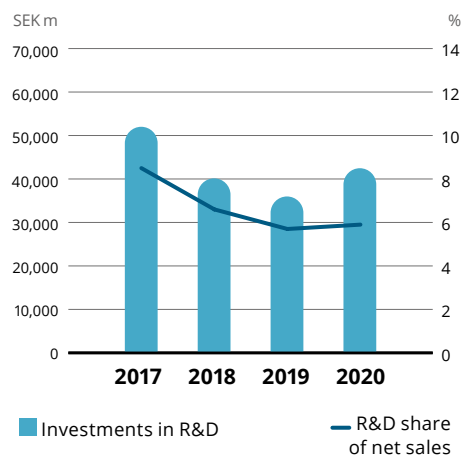
**How we shall achieve our goals**

**What we achieved in 2020**

- > Expanded range with more clinically documented offers
- > Higher number of international research collaborations
- > Evaluation of growth potential in areas related to probiotics

- ✓ In 2020, one of the largest studies ever in the immune field was published. The study confirmed that Probi Defendum® can strengthen the immune system in connection with common colds.
- ✓ Two new collaborations with universities were started, including new forms of vaccination methods and vaginal health.
- ✓ In 2020, 34 new patents were approved.
- ✓ Three clinical trials were started in 2020, within gastric health, gut-brain and bone health.
- ✓ In 2020, eight patents were applied for, one of which was an application for a European patent.

**Investments in R&D**



**416**

Approved patents that cover all of Probi’s most important markets in the world

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

- 4** in gastric health
- 3** in iron absorption
- 2** in immune systems
- 1** in bone health
- 2** others

**GOAL:**

**LEAD THE WAY IN INNOVATION AND DEVELOPMENT**

# With our scientific foundations we are one of the winners

**INTERVIEW WITH**

**Peter Dybdahl Hede – VP R&D**

**“We are facing a future where increased knowledge about nutrient intake in the form of bacteria will contribute to enormous health effects. I see Probi as this knowledge link between health and nutrition.”**



**“When the winners are crowned in the future probiotics market, they will be the players who have high scientific foundations around their probiotics. Companies like Probi,” states Peter Dybdahl Hede, Vice President R&D.**

Peter took over as Probi’s new head of research in September 2020 and has had a long international career in various research positions within biotechnology, pharmaceuticals and nutritional supplements. After a number of years with interesting experiences from these activities, he was attracted to take part again in researching results and thus become truly involved in improving people’s health. His choice was Probi.

“Probiotics had already helped improve my own health. Another important driving force that led me to the probiotic

industry was that I saw up close how nutritional supplements can affect many of the body’s functions, including mental health. Today, there are an incredible number of interesting functional areas for probiotics that we did not think of at all 15 years ago. We are therefore facing a future where increased knowledge about nutrient intake in the form of bacteria will contribute to enormous health effects. I see Probi as this knowledge link between health and nutrition,” he explains.

He continues: “Probi’s approach is to rely on scientifically strong evidence, which has given us a unique position and a good reputation in the market. I want to be part of utilizing this treasure trove of 30 years’ research and development in probiotics.”

In addition to R&D, Peter’s areas of

responsibility also include applications and product development, regulatory affairs, QA and IP. He describes this team of over 50 employees that he recently came to lead, with great respect.

“The team is agile, dedicated and has enormous expertise through various people’s many years of research in a relatively young area. The new employees who have been added from, for example, the food industry and biotechnology, have contributed a lot of knowledge and have themselves shown skills at integrating into the probiotic world.”

A possible explanation for Probi’s success in the research area may be its geographical location in southern Sweden. The proximity to academic hospitals and three important universities in Lund, Malmö and Copenhagen that collaborate via research exchanges, has resulted in



the growth of probiotic research companies in the area. "I believe that the availability of competent researchers and the competition between several ambitious companies has been important for Probi's development," says Peter.

One of Probi's important strategies is to use research and scientific evidence to take the leading role in probiotics via more clinically documented offers, more international research collaboration and new applications or health areas related to probiotics.

Investing in clinical research has resulted in Probi's current four well-documented main areas in gastric health, strengthened immune system, reduced bone loss and increased iron uptake. Peter is convinced that in these areas there are many exciting research results that can form the basis for

tomorrow's probiotic products. Probi is therefore continuing its research within all these areas.

Other interesting uses for Probi are women's health, cardiovascular disease, skin care and the counteracting of stress. Still other possible uses may be probiotics in combination with dental health through improved bacterial flora in the mouth, as well as products for animal health. One area of development may also be to combine probiotic strains with, for example, prebiotics\* to improve the absorption capacity of probiotics. With probiotics, the possibilities seem endless. The challenge is that research in these areas is still relatively young.

"Research, and Probi's scientific approach, is a long-term business. A pipeline of research results is not updated overnight. Realistically, it takes

five years or more to prove health effects and establish documentation for new areas of use," explains Peter.

Research and development is resource-intensive and therefore there can be major benefits to doing this in collaboration with external partners. Probi currently has a number of attractive research collaborations with partners all over the world based on the company's knowledge and work on Probi's specialized bacterial catalog. But Peter sees the opportunity for greater business collaboration. This may, for example, be in areas or industries where Probi has not worked so far, or where there is a great need for funding for research and development activities and one can therefore benefit from each other and use joint resources.

\*Prebiotics are non-digestible food ingredients that stimulate the growth of good bacteria.

**Our manufacturing is a complex process that requires knowledge, accuracy and skill**

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

With many years of experience of continuous improvements and careful process development, our probiotic production is today of the highest quality. Over the last two years, we have invested over SEK 50 m in production. With our production facilities, both of which are located in the US, we have a fully-integrated production process and can offer a complete range of probiotic products through the combination of in-house manufacturing and external production partners. At our plant in Redmond (Washington), we operate probiotic fermentation and the freeze-drying of probiotic cultures. This bulk powder is then processed further through mixing and production of the con-sumer-ready end products at our plant in Lafayette (Colorado). We work in accordance with GMP\* and have been certified by the authorities in each state. We are regularly inspected by our clients, partners, authorities and independent third-party auditors.

\*GMP: Good Manufacturing Practice. Regulations governing the manufacture, including packaging, of medicines, food and health nutrition.

**How we shall achieve our goals**      **What we achieved in 2020**

- Facilities with guaranteed high-quality production capacity adapted to the needs of the market
- New production opportunities in growth regions
- Focus on long-term increase in gross margins

- ✓ During 2020, there was a major upgrade of our production facilities in Redmond, Washington. This investment is expected to lead to greater efficiency throughout the production chain and thus greater production capacity and higher gross margins in the long term. The investment is also expected to contribute to lower energy and water consumption.
- ✓ In total, investment in the production facilities amounted to SEK 30 m.

**REDMOND, WASHINGTON**

Probiotic fermentation and freeze-drying.

**LAFAYETTE, COLORADO**

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



**SEK 30 m**

Investments in manufacturing 2020

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

# Increased competitive-ness with state-of-the-art manufacturing

INTERVIEW WITH

Andy McShea – Chief Operating Officer

**“By producing probiotics in-house we can ensure the supply of high-quality products with stable properties, and stay ahead of evolving market needs and trends.”**

**Within a short period of time, Probi has upgraded its production facility in Redmond near Seattle, USA, investing over SEK 50 m. Today, the company has built state-of-the-art production facilities and is well equipped to take advantage of the increased demand for probiotics.**

Andy McShea, Probi’s Chief Operating Officer explains: “We are building production facilities of the highest quality, which will help drive all of Probi forward. We have increased production capacity dramatically and can ensure high quality probiotics at the same time, which means a significant improvement in what we can offer our customers. It makes us more competitive in the market and more profitable in the long term.”

In Redmond, Probi has put one of the probiotics industry’s largest nitrogen-pelletizing systems into operation, which has improved both production capacity and the shelf-life and flexibility of the probiotics in the freeze-drying process. In addition, new state-of-the-art fermentation equipment has been installed. The equipment increases the facility’s capacity, provides the opportunity to produce high quality products and enables the handling of the next generation of probiotics. There has also been investment in software, including real-time data for the production process, and an emphasis on employee training.

“By producing probiotics in-house we can ensure the supply of high-quality products with stable properties, and

stay ahead of evolving market needs and trends. We can now satisfy our customers’ needs in a significantly better way than before, and also meet special orders and requests from our major customers,” says Andy.

He continues: “Now that we’re in control of a greater proportion of production, we can adjust the lead time from order to finished product so that it benefits the customer. We will continue to work with external production partners, but by upgrading the facility in Redmond, we are reducing the risks to our business and delivery. At the same time, our control over our products and the entire manufacturing process is increasing.”





Andy notes that there is still room for innovation in the probiotic manufacturing process. The market is constantly evolving, the process is complex and with Probi's knowledge of both customers' needs and manufacturing, further process improvements can contribute to extending the company's lead and ultimately our quality and profitability. Investments are being made at a measured pace to ensure new production technologies can mature to their full potential and that our operation maximizes its return on investments.

More facility upgrades are planned in the US for 2021. Some of them will also contribute to a reduced environmental footprint, reflecting Probi's sustainability ambitions. Adapting the fermentation

process cooling system in Redmond will reduce water consumption. When the new sterilization processes for fermentation come into operation, it will not only contribute to quality improvements for the probiotics but also energy savings.

"The well-developed production and advanced manufacturing expertise currently available within Probi will ensure the company's competitiveness in the future," Andy concludes.



# Our "Cs" show who we are

**"We need our core values to meet challenges, to grow and achieve goals."**





**INTERVIEW WITH**  
Basudha Bhattarai Johansson, VP HR

**“I am convinced that all companies, regardless of size, can contribute to making the world a better place. When Probi is helping people around the world to improve their health, we’re making fundamental changes in society and showing that life and health are important.”**

A belief in people’s right to a good life and the drive to bring about change led Basudha Bhattarai Johansson to take the job as Vice President Human Resources at Probi in January 2020. Originally from Nepal, Basudha lived in southern Africa, Spain and the US before moving to Sweden. Her experience includes leading HR roles at a number of international pharmaceutical groups.

In order to make things better for people, Probi has to keep its long-term perspective as a company. “We need our core values to meet challenges, to grow and achieve goals. They help us to show who we are, but also how we should treat each other. For example, we have to be CREDIBLE in our

research and in how we work to give our customers and partners faith in our products,” she explains.

Probi is on a journey of development. With this comes change, something that can be stressful for people who don’t understand why. The health of the organization is a must if Probi is going to develop. “It’s the people in the organization who have to do the work. Management communicates and explains why we make decisions, but it’s very important for employees to feel included and feel that Probi trusts its employees and wants to listen.”

A short employee survey is conducted four times a year, where employees also have to say what they need to do their job better. So far, results have been good. Basudha points out that Probi is a learning organization. To grow, the organization has to think about how things can be made smarter, dare to make mistakes and learn in order to improve constantly. “Even if we don’t do the right thing every day, we’re COMMITTED to learning and improving.”

Innovation at Probi is driven by people. “To succeed, there must be CONFIDENCE in individuals with different ways of thinking. Probi has employees of many nationalities from different age groups, half of whom are fairly new, while the rest have worked here for many years. This is true diversity, and for me a truly international organization. That is why it’s also crucial for all new recruits to fit into and contribute to this dynamic environment.”

In order to retain talent, Probi focuses on the needs of the individual and tries to create an environment where employees can learn through new knowledge, skills and experiences. An individualized framework with performance targets measures and rewards employee development within Probi’s priority areas. This requires the company to be CLEAR about the decisions each person makes and what has to be done.

**Probi's 4Cs**

- CREDIBLE**: Experts in our field and with products that deliver
- CONFIDENT**: Bold in exploring new scientific and commercial paths and unafraid to challenge set ways of thinking
- COMMITTED**: Always willing to go the extra mile to ensure we and our products meet customer expectations
- CLEAR**: Transparent in all our dealings, both internally among ourselves and externally with partners and customers

### Employee facts

Employees per function

- R&D: 20
- Marketing and Sales: 21
- Manufacturing and Product Development: 114
- Administration: 15

Average number of employees

Year	Average number of employees
2016	74
2017	182
2018	163
2019	164
2020	170

# Our core values: Probi's 4 Cs

Credible. Confident.  
Committed. Clear.

Probi's core values guide us in our day-to-day activities. Regardless of our role or position in the company, we build our organization on these basic values.



**INTERVIEW WITH:**  
**SCOTT STOBAUGH**  
Probi USA, Senior Sales Manager

**C** What does "Credible" mean to you, and how does Probi work towards it?

I've worked for Probi (then Nutraceutix) since 2008, after my eldest son was diagnosed with ulcerative colitis, an IBD. I became a big fan of the company's products and in the end I asked if I could join their sales team. Thanks to my conviction about the health effects of probiotics, I was able to build a large portfolio of new customers in less than ten years. I find it extremely satisfying to be a part of this company's success today.

For me, CREDIBLE means that you won't succeed in convincing others about the advantages of the company or products if you don't really believe in them yourself. My credibility with customers extends beyond business and reflects my personal values. I wouldn't be able to work for a company that wasn't always striving to do the best thing for its customers and consumers.

At Probi, CREDIBLE has been a decisive factor, as the probiotics industry has grown, and consumers have quickly learned about probiotics. Our customers are placing ever higher demands on scientifically-validated products. Becoming part of Probi therefore came at a very opportune time and we can now offer our customers clinically-documented probiotic strains, both individual and in combination, for different health areas and age groups.



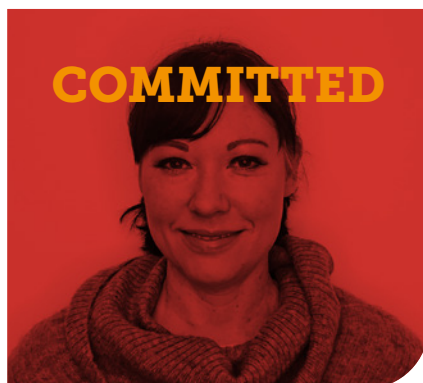
**INTERVIEW WITH:**  
**ELISABET NORDSTRÖM**  
Probi Lund, Sweden, Senior Research Scientist

## **C** What does "Confident" mean to you, and how does Probi work towards it?

I've worked for Probi since 2019 because it's a company where people take science seriously and are experts in all aspects of probiotics. Probi has produced unique probiotic concepts, such as Probi FerroSorb® and Probi® Osteo. Both are based on clinical studies. Also, the company is on an exciting journey and is expanding in both the APAC and Americas regions. I appreciate my daily work, the interaction with colleagues and customers in different parts of the world as well as locally in Lund, and the mentality at Probi – the fact that we want to be the best in the industry and continue with world-class clinical studies to ensure that our probiotics are safe and effective.

For me, CONFIDENT means being sure and able to prove that something is what it is. Being able to express yourself in a way that no one can question because you know what you are talking about. Being able to give clear answers without hesitation.

CONFIDENT within Probi is embodied by my colleagues, all experts in different fields. Some are experts in fermentation, quality or manufacturing and others in product registration, clinical studies, communication or product development. By knowing that our probiotics are supported by multiple clinical trials with clear results, we can be CONFIDENT regardless of whether we are talking to clients, scientist or authorities. We are proud of our scientific heritage from Lund University.



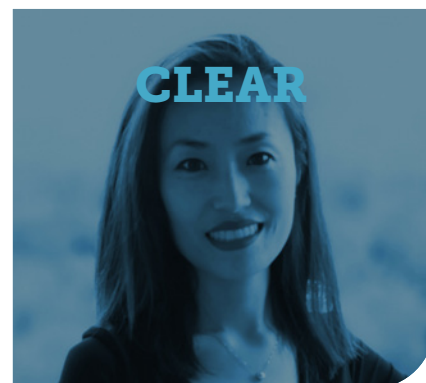
**INTERVIEW WITH:**  
**NICOLE NIES**  
Probi Lafayette, USA, Plant Manager

## **C** What does "Committed" mean to you, and how does Probi work towards it?

I've worked for Probi (then Nutraceutix) since 2001, as I've always wanted to work with dietary supplements. Health and a healthy lifestyle are important to me, which reflects the company's values. Today, Probi is growing and developing, and offers the chance to work both internationally and across functional areas. I really appreciate working with my creative, skilled and cooperative colleagues.

For me, COMMITTED means taking on projects and challenges enthusiastically. Each and every one of us at Probi is responsible for working towards the company's goals, mission, vision and values. Being COMMITTED means taking ownership of your work, both triumphs and failures, learning lessons and sharing your experiences.

COMMITTED within Probi is one of our strengths, particularly related to large, difficult tasks when the organization really stands up and delivers. I suppose the best example is the unprecedented challenges we faced in 2020. Despite the uncertainty surrounding the pandemic, the organization undertook a large project on behalf of a client – delivering volumes that challenged our entire production capacity. Not only was the delivery on time and of the highest quality, but the customer also received service beyond all expectations. The staff really united behind this project and acted in a COMMITTED way.



**INTERVIEW WITH:**  
**VERONICA DONG**  
Probi Singapore, Head of APAC

## **C** What does "Clear" mean to you, and how does Probi work towards it?

I've worked for Probi since September 2020. I'm passionate about working at an organization with a larger purpose – to increase people's well-being. Probi's probiotics are at the forefront and have scientific support, which is in demand by consumers and the market. I can really feel our employees' passion, commitment and cooperation at Probi and therefore it feels so right to be part of this family.

For me, CLEAR means uniting behind a goal to achieve success, based on five different components: effective communication, a clear division of roles, sharing experiences between employees and across functional areas, teamwork and simplified processes to speed up sales.

CLEAR at Probi means that we have set a clear direction for the business so that our employees can choose the right priorities within their areas of responsibility and cooperate well across functional areas and between regions. As we at Asia Pacific are part of a matrix organization and collaborate with colleagues in various functional areas in both Sweden and the US, CLEAR is a must so that everyone can be focused and deliver. And it took us just 30 days to pave the way for our new Asia Pacific strategy, which includes strategic and business growth initiatives, customer responsibility, marketing and consumer awareness.

# Probi's sustainability work



This sustainability report applies to the 2020 financial year. The sustainability report 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.

**Every advanced probiotic solution begins with an important but simple question: How can Probi improve people's health and well-being? With this goal in mind, Probi is continually searching for new insights and perspectives that lead to innovative probiotic solutions.**

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

## Sustainability Risks

A natural progression from Probi's focus on health and well-being is to work towards sustainable business operations. Probi's environmental risks are comparatively low, as the company does not develop or manufacture active pharmaceutical ingredients associated with side effects for consumers, patients in clinical trials or the environment. The sustainability risks in our value chain (see page 9) are mainly connected to our in-house production, our contract suppliers and our employees. The main risks are environmental impact from production and sales, social conditions and business ethics. Within the framework of these areas, Probi's management has prioritized key sustainability areas. Read more about these in the table on the next page.

AREA	RISK DESCRIPTION	RISK MANAGEMENT	COMMENTS
<b>Environment &amp; Production</b>			
<b>Environmental impact</b>	Access to and pricing of water and energy can vary as a result of climate change. Risk of floods or intense heat waves, which in turn can affect insurance costs, international transport and/or direct investments.	Resource consumption in production should be done in a sustainable manner, without endangering the well-being and style of life of future generations. According to Probi's Environmental Policy, environmental efforts should be integrated into daily operations, including resource efficiency. The negative environmental impact of Probi's operations should therefore diminish through continuous implementation of improvements.	Probi initiated an upgrade program in our manufacturing unit in Redmond, WA, during the third quarter of 2019, with the aim of further improving the manufacturing efficiency and quality of production to strengthen competitiveness. The investment program continued throughout 2020, but the full effect is not expected until the second half of 2021. The expectation is that the upgrade will have a positive impact on energy and water consumption in the upcoming years.
<b>Suppliers</b>	Low standards of working conditions and resource wastefulness at Probi's suppliers can have considerable consequences for Probi's reputation and operations. This can, moreover, affect business relationships, quality of products, the environment and, eventually, profitability.	The Quality Assurance team performs audits of Probi's contract suppliers, making sure that the suppliers meet Probi's standards. The contract suppliers have to answer a "Supplier Questionnaire" where aspects concerning, for instance, sustainability are highlighted.	In late 2020, a project of implementing a Code of Conduct for suppliers began. The aim for 2021 is to be able to send out a Code of Conduct to be signed by Probi's contract suppliers.
<b>Social Sustainability</b>			
<b>Diversity &amp; equality</b>	Lack of diversity and unequal conditions could have a negative impact on Probi's reputation as an employer. Innovation is important to Probi's customers and diversity plays a large role in innovation. A lack of diversity and equality would cause Probi to miss out on valuable expertise, thereby weakening the company's ability to innovate.	Probi's processes, policies and routines ensure fair treatment of all employees. Probi's Code of Conduct and Diversity Policy determine essential principles related to equality and diversity. Mistreatment can be reported to Probi's whistleblowing channel, which is managed by an external law firm. The organization has an action plan for responding to discriminatory treatment which includes measures that may be taken, depending on the nature of the situation.	No incidents were reported to the whistleblowing channel in 2020.
<b>Health &amp; well-being</b>	High absence due to sickness or other reasons could result in a negative impact on Probi's operations and possibly even damage Probi's reputation as an employer.	Probi regularly reviews the organization in different ways, such as mandatory development discussions and employee surveys. Probi offers various health benefits in order to improve the employees' health and well-being. Healthcare in Sweden is largely tax-funded, a system that ensures everyone has equal access to healthcare services. Probi USA and Asia-Pacific pays a large portion of employees' premium costs for health coverage and provides long- and short-term disability coverage for all employees. Starting in 2021, Probi will cover a portion of the premium costs for employees' family members. Probi also monitors the financial well-being of employees and offers pension plans for all employees in accordance with local laws and practices.	Probi constantly work for the improvement of health of the employees and encourage activities to promote health, safety and well-being. Probi as an employer encourages activities, such as employee clubs and team building, which positively influence the "Probi culture".
<b>Occupational health and safety</b>	Poor working conditions and high risk of accidents can damage Probi's reputation and thereby affect the recruitment of new employees and the ability to attract talent.	Probi's production facilities comply with applicable OSHA (Occupational Safety and Health Administration) standards, have occupational health and safety systems in place and have appointed safety committees that meet on a monthly basis, where they for example identify safety issues, develop solutions to safety problems, review accidents and evaluate the effectiveness of the safety program. Probi USA also conducts risk analyses and has implemented a training program for the employees regarding, for example, the warehouse, sanitation, maintenance, production packaging and quality. The employees receive training in, for instance, general manufacturing practices and personal protection equipment.	Probi continuously reviews and evaluates working conditions and safety. Systematic improvement of Probi's occupational health and safety includes regular examination of working conditions and assessment of risks for illness and work-related accidents.
<b>Business Ethics</b>			
<b>Anti-corruption</b>	Incidents of corruption could harm Probi's reputation and have a serious negative effect on Probi's business and financial position.	Probi has adopted an Anti-corruption Policy for the prevention, deterrence and detection of corruption. The policy applies to all employees at Probi, including managers, executive officers and members of the board of directors. Probi provides adequate training for all employees on an annual basis, and 77% completed anti-corruption training in 2020. Training efforts will continue in 2021 and beyond.	No incidents of corruption were reported in 2020.
<b>Human rights</b>	Damage to Probi's brand and trust if Probi were to be involved in business where ethical guidelines are not followed.	Probi has a Code of Conduct that applies to all employees. This code covers, amongst other things, respect for human rights, equality and business ethics. The Code of Conduct explicitly states that Probi shall not use child labor and/or forced labor and shall respect international conventions on human rights.	All employees at Probi have signed the Code of Conduct. A whistleblowing function is implemented in the event of any violations of the code. See also the comments in the section "Suppliers".
<b>Clinical trials</b>	Damage to Probi's brand and trust if Probi were to conduct or be involved in trials where ethical guidelines are not followed.	Probi's studies are performed in accordance with ethical principles, which stem from the Declaration of Helsinki and are consistent with the International Conference on Harmonization (ICH)/Good Clinical Practice (GCP), EU Clinical Trials Directive and applicable local regulatory requirements.	As the bacterial flora is different in animals compared to humans, it is seldom relevant to test probiotics in vivo (animal models).

# Environment & Production

Probi continuously evaluate the company's processes with the aim of continuing to streamline and digitize various functions of the business.

In recent years, the organization has updated various software systems in order to reduce paper consumption. These updates have included quality control, the supplier invoice management system and a new HR system with digital time-stamps, digital contract signing and reporting. These measures have had a direct positive effect on the environment by reducing the company's paper consumption.

Probi's production facilities in Redmond, Washington, and Lafayette, Colorado, are GMP certified and hold all licenses required under US environmental law. The United States Environmental Protection Agency's emissions factor is used for the calculation of Probi's carbon dioxide emissions. The figures reflect the consumption of Probi USA. The facility in Lund, Sweden, consist only of offices and one laboratory, with relatively low environmental impact.

## Sustainable pastures in Mongolia

To compensate for the emissions arising from the company's air travel, Probi contributes to the project Sustainable pastures in Mongolia in partnership with ZeroMission in accordance with the Plan Vivo standard. This compensation is intended to offset carbon emissions arising from the business-related air travel of Probi AB and Probi USA in 2020. The project is about adapting to sustainable land use, preserving biodiversity and improving social conditions. Through active participation and coordination, pastures are restored, making them more resilient while simultaneously binding carbon dioxide. The project includes more than 140 shepherd families in three different areas of 78,500 hectares. Preserved biodiversity is achieved through the formation of cooperatives that inventory and patrol the steppes to prevent illegal deforestation and poaching of important animal species. By educating and enabling nomad groups to market and sell their products, their incomes also increase. A total of around 130,000 tonnes of carbon dioxide are estimated to be bound in the soil through improved land use methods.

## Environmental facts



### ENERGY CONSUMPTION

	kWh	Therms	CO2 (tonnes)	Index <sup>1)</sup>
2017	2,257,616	58,781	1,908	3.116
2018	2,396,711	59,221	2,008	3.324
2019	2,085,225	54,083	1,760	2.811
2020	1,909,374	58,310	1,659	2.313

<sup>1)</sup> CO2 tonnes in relation to net sales.

Electricity and gas are used in the production processes of the manufacturing units in Probi USA. The decrease in kWh from previous year is due to the fact that certain production steps have been outsourced. The increase in therms is a result of increased production volumes.



### WATER CONSUMPTION

	Megaliters	Index <sup>2)</sup>
2018	29.3	0.049
2019	27.6	0.044
2020	31.7	0.044

<sup>2)</sup> Megaliters in relation to net sales.

Water is mainly used in the fermentation process in the manufacturing unit in Redmond, Washington.



### FREIGHT EMISSIONS

	Air	Road	Sea	CO2 (tonnes)	Index <sup>1)</sup>
2017	245.3	1,451.7	-	1,697.0	2.772
2018	320.1	1,395.6	-	1,715.7	2.840
2019	322.6	1,356.1	1.8	1,680.5	2.684
2020	275.9	1,693.8	-	1,969.7	2.747

<sup>1)</sup> CO2 tonnes in relation to net sales.

Probi hires professional freight carriers that have effective systems of transport. By doing so, the company can access more efficient transportation methods, thus reducing its environmental impact.

Probi takes the initiative to hold meetings digitally when face-to-face meetings are not necessary. In 2020, the majority of meetings were held digitally due to Covid-19. However, Probi's international operations as a B2B company entail business travel by air, and customer meetings, exhibitions and fairs are a crucial part of the business. To compensate for the resulting emissions, Probi contributes to the project *Sustainable pastures in Mongolia* in partnership with ZeroMission, in accordance with the Plan Vivo standard. This compensation is intended to offset carbon emissions arising from business-related air travel.

# Social Sustainability

**Probi's vision is to offer products that improve people's health and well-being. Health is therefore an essential part of Probi's business and the organization is determined to create a good and engaging working environment for all employees. Probi offers a safe and supportive working environment, both physically and psychologically. The aim is for everyone, regardless of their duties, to be given the opportunity for both influence and personal development at Probi.**

## Diversity & Equality

Probi advocates diversity and an inclusive culture. The company recognizes the importance of diversity and the role it plays in innovation, which is relevant for customers' needs and for being an attractive employer. All employees regardless of gender, ethnic and religious background have the same prerequisites to be successful at Probi. Equality shall prevail in questions of employee development, pay review and parental leave. Probi strives to have an even gender distribution as possible in different positions. In addition, the Nomination Committee has in its work taken into account point 4.1 of the Swedish Code of Corporate Governance, which constitutes the diversity policy that the Nomination Committee has applied in preparing its proposal for the Board of Directors, whereby the Nomination Committee has strived for an appropriate composition, characterized by diversity and breadth of the proposed members' competence, experience and background and an even gender distribution.

## Probi's Employees

Motivated and healthy employees are the foundation of a sustainable organization. Probi looks at health from three different perspectives: physical, mental and financial. Probi offers

safe workplaces for all employees. All employees in Sweden are affiliated with the collective agreement IKEM. The company also follows local guidelines and regulations, performs regular inspections and implements measures to ensure a psychologically healthy work environment across the global organization. Part of Probi's culture is to be a learning organization with a safe environment where employees are not afraid to make mistakes and have the opportunity to develop. To encourage health, Probi offers paid vacation days to all employees, including in the US and Asia. As an employer, Probi pays its employees a market wage and offers benefits such as pensions and other insurance in accordance with local regulations and practices. By offering fair compensation for work and benefits that promote employees' health, Probi creates financial well-being among its employees. The employees are Probi's greatest asset, and employee surveys are therefore conducted on a quarterly basis. Based on the results of the survey, the organization continues to do what is appreciated, while at the same time improving in areas that could be better.

## Covid-19

In 2020, Probi introduced various measures to ensure the safety of employees during the pandemic. All employees who were able to work from home were encouraged to do so. The organization continued with technical training for employees so that they could collaborate and perform their jobs without meeting in-person. The production facilities were provided with additional protective equipment, and processes and routines were modified to allow for physical distancing. Various restrictions and guidelines were communicated on a regular basis to everyone at Probi in order to minimize the risk of transmission in the workplace, as well as to take responsibility for reducing the spread of the virus in society.

## Social facts

### Gender distribution



### Employees



49% Men  
51% Women

### Board of Directors



40% Men  
60% Women

### Executive management team



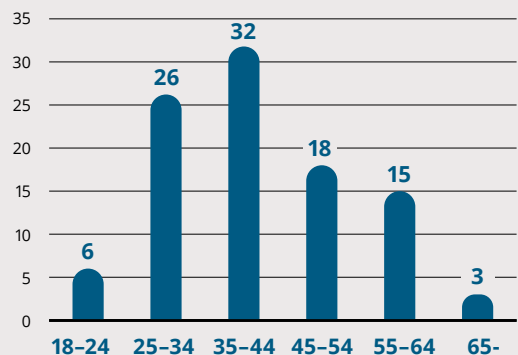
75% Men  
25% Women

### Managers



61% Men  
39% Women

### Age structure of employees as of 12/31/2020, in %



28%

Employee turnover\*

41 years

Average age

74

New hires

\*The high employee turnover rate is impacted by a high turnover rate among US production workers.



# Business Ethics

**Probi performs its business operations in a responsible and credible manner. This is achieved through adherence to applicable laws and regulations, strong company values and maintaining good relationships with colleagues, customers and suppliers**

## Anti-corruption

Probi operates in many parts of the world and must therefore ensure that anti-corruption laws and trade sanctions are upheld. Probi does not seek or accept business advantages based on illegal, improper or unethical behavior and has therefore adopted an Anti-corruption Policy as well as a Trade Sanctions Policy. The Trade Sanctions Policy refers to laws and regulations imposed by countries – usually in furtherance of foreign affairs, national security or human rights – that restrict dealings with targeted individuals, entities or governments and countries. Employees who were identified as requiring knowledge of relevant trade sanctions received training during the year, and no violations were reported in 2020.

## Human Rights

Equal treatment and equal opportunities must apply to everyone regardless of ethnic, social or national origin, skin color, disability, gender, sexual orientation, religion, political opinion, pregnancy or age. Probi respects its employees' rights of free association and collective bargaining. No employee should risk being harassed for exercising these rights. All managers shall encourage their employees to report conduct that is contrary to the principles in Probi's Code of Conduct. Probi's whistleblowing channel is managed by an external law firm, which will receive all reports submitted in the whistleblowing channel and evaluate whether or not they qualify as

whistleblowing. Employees can use this channel to report, for example, irregularities or problems that have caused or could cause serious damage to the company and its stakeholders.

## Clinical Trials

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



## The auditor's report on the statutory sustainability report

This is the translation of the auditor's report in Swedish

To the general meeting of Probi AB, corporate identity number 556417-7540.

### Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report on pages 34-39 has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report 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.

### Opinion

A statutory sustainability report has been prepared.

Malmö, 30 March 2021  
Ernst & Young AB

Peter Gunnarsson  
Authorized Public Accountant

# The share

## Listing

Probi has been listed on Nasdaq Stockholm since 2004 and is traded under the PROB ticker. Probi is traded in the Mid Cap segment, which consists of companies with market capitalisation from EUR 150 m to EUR 1 bn. Probi belongs to the Health-care and Biotech sectors.

## Share Capital

At the end of 2020, Probi's share capital amounted to SEK 58,220,625 (58,220,625), represented by 11,644,125 shares (11,644,125). Each share carries the right to one vote and entails the same right to a share in the company's assets and earnings. The quotient value of the share is SEK 5.

## Ownership

The number of registered shareholders was 4,220 as of December 31, 2020, compared with 3,927 as of December 31, 2019. The portion of institutional shareholders represents 90.6% (89.7) of the total number of shares; private shareholders represent 9.4% (10.3) and foreign shareholders 62.5% (60.9). The largest portion of shares held by foreign shareholders is in Europe, corresponding to 61.7% (60.2) of the total number of shares. Probi's principal owner, Symrise AG, owned 57.4% of the capital and 58.7% of the votes at year's end. Symrise AG treats Probi AB as a subsidiary in its consolidated financial statements and carries out full consolidation of the company.

## Holding of Treasury Shares

At year-end, Probi held 250,000 treasury shares, corresponding to 2.1% of the total number of shares, with a quotient value of SEK 5 per share. These shares were acquired in 2011 at a value of SEK 11.8 m. No shares were bought back during 2012–2020.

## Share Performance

Probi's share price increased by 90% in 2020 and at year's end was listed at a closing share price of SEK 422.00 (222.00). OMX Stockholm PI increased by 11% during the year. Probi's highest and lowest share prices in 2020 were SEK 450.00 (408.60) and SEK 139.20 (206.50), respectively. Probi's total market capitalization on December 31, 2020 amounted to SEK 4,914 m (2,529). In 2020, 1,417,937 (1,240,917) Probi shares were traded on Nasdaq Stockholm. The average share turnover per trading day was 5,627 (4,964).

## Dividend Policy

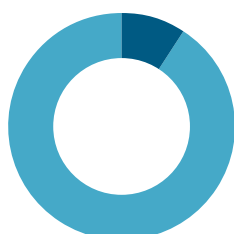
Probi's dividend policy is to have a share dividend of 10–30% of the year's profit, the company's financial position permitting.

The board and CEO propose to the AGM 2021 that the company issue a dividend of SEK 1.10 per share (1.00). This would mean a total dividend of SEK 12.5 m (11.6), and that the parent company's remaining retained earnings of SEK 1,033.0 m would be carried forward.

## Option Program

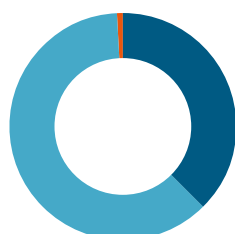
Probi has no outstanding convertible debts or warrants.

Distribution institutional/legal entities – private shareholders (no. of shares)



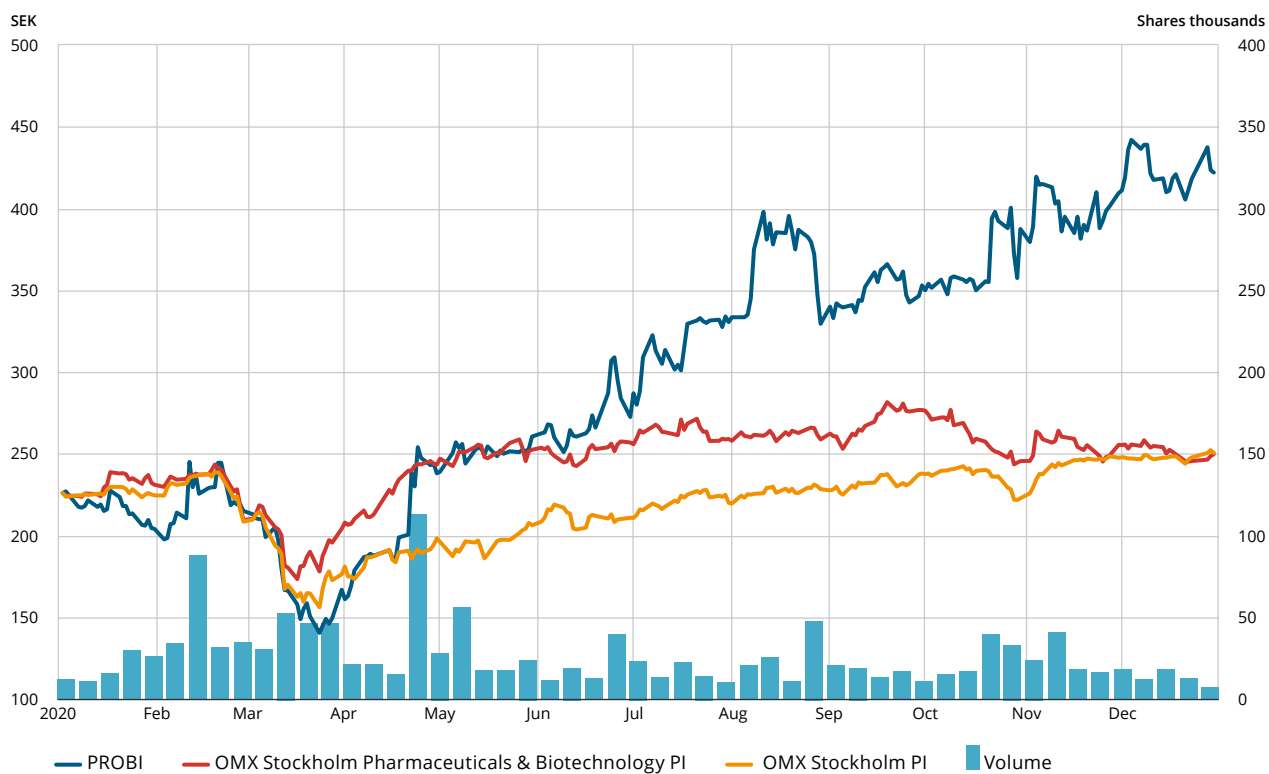
- Physical persons 9.4%
- Legal entities 90.6%

Distribution Swedish – foreign shareholders (no. of shares)

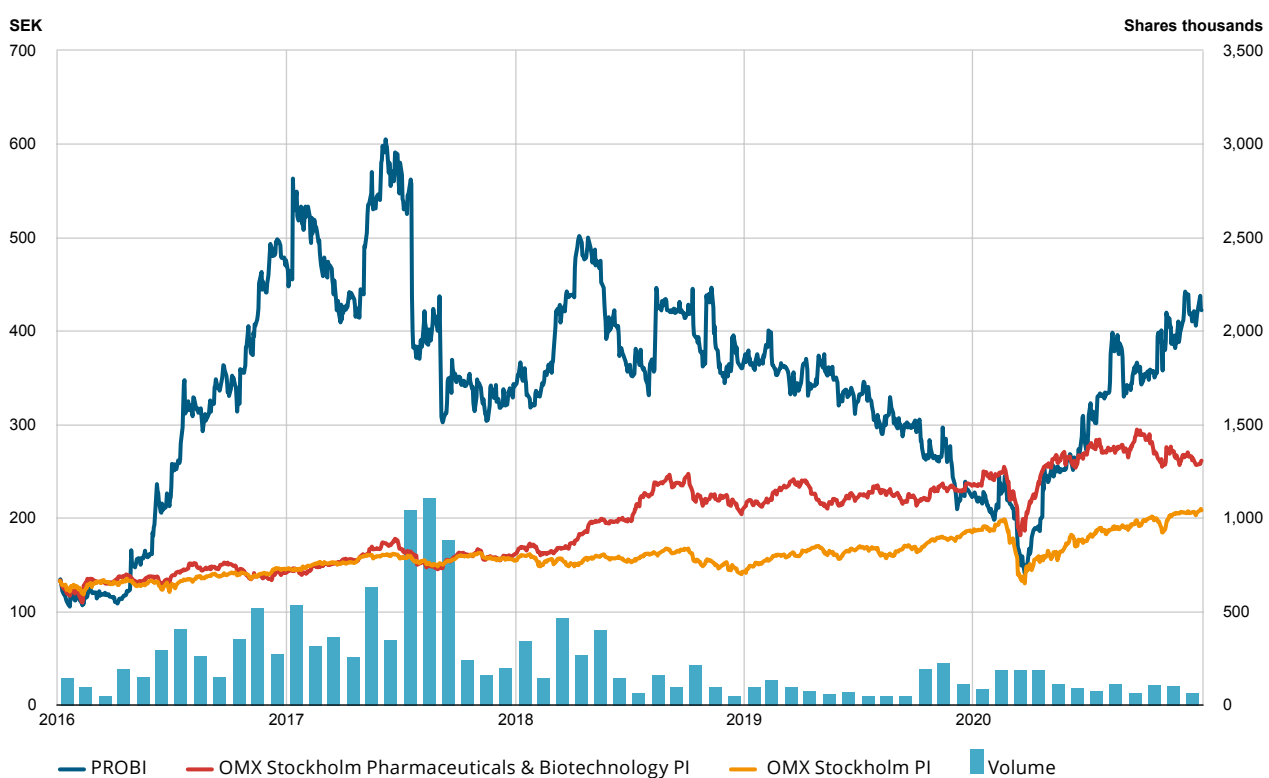


- Sweden 37.5%
- Rest of Europe 61.7%
- Rest of world 0.8%

### The share 2020



### The share 2016–2020



## DEVELOPMENT OF SHARE CAPITAL

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

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

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

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

## SHAREHOLDERS

	No. Class A shares	Portion of capital (%)	Portion of votes (%)
Symrise AG	6,689,157	57.4	58.7
Swedbank Robur fonder	1,251,000	10.7	11.0
Fjärde AP-fonden	1,046,127	9.0	9.2
SEB	410,025	3.5	3.6
Nordea	100,313	0.9	0.9
Tin Ny Teknik	97,959	0.8	0.9
Avanza Pension	88,995	0.8	0.8
Handelsbanken	60,671	0.5	0.5
BNY Mellon NA, W9	60,241	0.5	0.5
Others	1,589,637	13.8	13.9
<b>Total outstanding shares</b>	<b>11,394,125</b>	<b>97.9</b>	<b>100.0</b>
Probi AB	250,000	2.1	-
<b>Total shares</b>	<b>11,644,125</b>	<b>100.0</b>	<b>100.0</b>

## HOLDING PER SHAREHOLDER

Share distribution	No. shareholders	No. shares	Portion of shares (%)
1 - 500	3,671	339,338	2.9
501 - 1,000	293	218,799	1.9
1,001 - 5,000	192	410,852	3.5
5,001 - 10,000	23	156,415	1.3
10,001 - 15,000	12	142,037	1.2
15,001 - 20,000	4	78,469	0.7
20,001 -	25	10,298,215	88.5
<b>Total</b>	<b>4,220</b>	<b>11,644,125</b>	<b>100.0</b>

# PROBI AB (PUBL)

Annual accounts  
and consolidated  
financial statements  
for 2020 financial year

# 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 present the annual accounts and consolidated financial statements for 2020 financial year.

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, wide product portfolio, primarily in the areas of digestive health and the immune system. Probi has its own capacity for fermentation, formulation and production, which takes place in GMP-certified plants. Probi develops, manufactures, sells and markets probiotics in the form of powders, capsules, tablets or fruit drinks, in close collaboration with leading health, pharmaceutical and food companies. Probi is a leader in innovation and development and invests large 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 results that are important for its future development. Probi has over 400 patents worldwide.

## Significant events in 2020

During the year, Probi established a strategic collaboration with the American company Viva5 Corporation through the jointly-owned company VivaPro, for the development of consumer-friendly probiotic products in new market niches and widen the range for both companies. The company will focus on spore-forming bacteria (*Bacillus coagulans*) whose properties are similar to those of lactic acid bacteria but are more robust and can withstand higher temperatures. This provides an opportunity to widen the business into more types of food products such as beverages, bars, cereals and various powder products. Together with Viva5, which has extensive experience of spore-forming bacteria, the company has been formed in order to study the type of bacteria and its potential commercial applications. VivaPro is 51% owned by Viva5 Corporation and 49% by Probi, which has an option to acquire the majority of the company later.

In 2020, Probi expanded its collaboration with one of its largest customers in the Americas region in connection with a major update of the customer's product range. This meant increased delivery commitments for Probi and a positive effect on volumes.

Three new people joined the management team in HR, Sales and Marketing and R&D. Basudha Bhattarai-Johansson took over as Vice President HR and Shane Judge as Vice President Global Sales & Marketing while Peter Dybdahl took over as Vice President R&D.

Bengt Jeppsson, one of Probi's founders, was named winner in the NutraChampion category in the Nutra Ingredients Awards in May. The prize is awarded to prominent individuals who have worked for a long time to develop the probiotic industry.

During the year, the Board and management reviewed the company's strategy and in connection with this decided on new financial targets and dividend policy. Probi's target is to have doubled the company's annual sales within 5-7 years through a combination of organic growth and strategic acquisitions. The target is for annual organic sales growth to exceed 7% and for the EBITDA margin to amount to or exceed 29% on an annual basis. Dividends shall amount to 10-30% of the profit for the year, provided that the company's financial situation allows it.

In 2020, Probi signed a pan-European partner agreement with a major player in Consumer Healthcare for launch of concepts based on Probi's premium products in 15 European countries from 2021.

During the year, a research study was published together with Lund University that shows a link between probiotics and a reduction in the side effects of acute psychosocial stress. This is potentially a very exciting area that could lead to interesting opportunities in future.

During the year, Probi acquired shares in Vital Nutrients Holdings in connection with a strategic partnership. The acquisition amounted to SEK 53 m with an ownership of slightly under 10%. Vital Nutrients Holdings is a leading healthcare company in clinically proven health products and nutritional supplements with sales through physicians and health centers to patients and end-consumers worldwide, with around 50 employees and net sales of around USD 40 m in 2019. Probi will work closely with Vital Nutrients Holdings and their various brands as a supplier of probiotic supplements and with joint research and development of new, attractive product concepts in areas where the operations overlap. The partnership also involves evaluating future opportunities for collaborating in joint production. Financing was with cash and cash equivalents.

A major study that confirmed a positive effect on common colds when using Probi Defendum® was published during the year. The study, which was randomized, double-blind, and placebo-controlled, included nearly 900 healthy adults over three winter seasons. Probi Defendum® is now supported by four clinical trials, which have repeatedly shown a beneficial effect.

The upgrade of the manufacturing unit in the US was ongoing throughout 2020 and has largely been completed. At the start of 2021, the focus will be on completing the project and streamlining production. The effects of the investment are expected to be seen during the second half of 2021

## Sales and results

During the full year, Probi's net sales amounted to SEK 717.2 m (626.2). The total increase was SEK 91.0 m or 15% compared with the corresponding period last year. At unchanged exchange rates, net sales for the full year would have been SEK 14.8 m higher.

Net sales in Probi's largest market, the Americas (North and South America), amounted to SEK 564.6 m (468.9), which corresponds to 79% of Probi's total net sales. The increase of SEK 95.7 m (20%) was largely due to increased volumes from new and existing customers. Sales in EMEA (Europe, Middle East and Africa) fell by 7% compared with the previous year, to SEK 106.0 m (113.5). The decrease is attributable to a larger customer where royal revenue was redistributed to sales of goods and partly transferred to the Americas region. The APAC region (Asia Pacific) had net sales of SEK 46.5 m (43.8), a rise of 6% due to greater customer volumes, primarily in the Chinese market.

The gross margin fell to 43% (47) of net sales, which was due to an unfavorable product mix and a temporary production disruption during Q1. Sales and marketing costs of SEK 95.8 m (105.1) fell as a result of lower customer activity during the pandemic with travel restrictions and canceled or digitized trade fairs. Administrative expenses amounted to SEK 54.5 m (46.0) and the increase was due to a strengthening of the organization and higher costs in connection with business development. Research and development costs amounted to SEK 36.3 m (31.0). The increase was due to more new projects being started but also to a strengthening of the organization.

The Group's operating profit for the year amounted to SEK 123.7 m (111.5). Adjusted for currency effects, the operating profit was SEK 124.8 m (112.7). The Group's financial result for the year was SEK -3.6 m (-2.0). Interest income was SEK 0.2 m (1.4), while interest expenses amounted to SEK -1.9 m (-3.0). The reduced interest expense was due to no external borrowing costs being charged in 2020. Other financial expenses amounted to SEK -0.3 m (-1.2), where the decrease was explained by smaller loan-related costs. Exchange rate gains and losses on translation of loans and cash and cash equivalents in other currencies are reported in exchange rate results from financing activities. An exchange rate result of SEK -1.7 m (0.7) arose during the year. The profit after tax for the year was SEK 92.7 m (85.9). The tax cost amounted to SEK 27.4 m (23.6).

Earnings per share for the year amounted to SEK 8.14 (7.54).

## Cash flow and financial position

Cash and cash equivalents increased during the year by SEK 8.6 m to SEK 215.6 m (207.0). The cash flow from operating activities fell by SEK 30.2 m compared with the corresponding period last year, and this is explained by a higher inventory in connection with a larger commitment for a large US customer in connection with an update of the customer's product range.

The cash flow from investment activities amounted to SEK -96.4 m (-35.1). Investments in intangible fixed assets amounted to SEK -13.3 m (-8.4), of which SEK -2.8 m (-) refers to software, SEK -4.4 m (-3.5) to patents and SEK -6.2 m (-4, 9) refers to capitalized development expenses. Capitalized development expenses during the year were mainly incurred by clinical studies in gastric and immune health as well as nutrient intake. Investments in participations in other companies amounted to SEK -53.0 m (-) and involve shares in Vital Nutrients Holdings. Investments in property, plant and equipment amounted to SEK 30.0 m (26.7) and consist mainly of investments in the manufacturing unit at Redmond, Washington.

The cash flow from financing activities amounted to SEK -27.7 m (-133.0). This amount includes paid leasing commitments of SEK -13.1 m (-12.5) and interest paid of SEK -3.4 m (-2.3). The dividend was SEK -11.4 m (-). In the comparative figure, there was an amortization of SEK -119 m, which explains the difference between the periods.

## Segment information

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

### The Americas

Net sales for the Americas in 2020 amounted to SEK 564.6 m (468.9). Demand for probiotics increased during the year in the region and growth came from both new and existing customers. Net sales for the Americas accounted for 79% of the Group's net sales. The gross margin for the year was 40% (41%), which was slightly lower than the previous year and can be explained by the product mix and a temporary production disruption during Q1. During the year, Probi expanded its collaboration with one of its largest customers in the region in connection with a major update of the customer's product range. This meant a greater delivery commitment for Probi and a positive effect on volumes. During Q4, shares were acquired in Vital Nutrients Holdings. Part of the deal involves greater collaboration with an existing customer that is important in the US market. The upgrade at the manufacturing unit lasted throughout the year and is now largely completed. During the beginning of 2021, the focus will be on completing the project and streamlining production.

### EMEA

In 2020, net sales for EMEA amounted to SEK 106.0 m (113.5). The reduction is attributable to a major customer where royalty income was redistributed to sales of goods and partly transferred to the Americas region. During the first half of the year, a clear stock accumulation was noticed among customers in the region, which was a consequence of the restrictions due to COVID-19. As a result, sales were weaker during the second half of the year, as the region continued to be affected by restrictions, which meant restrictions on canvassing for customers. The region's net sales corresponded to 15% of the Group's net sales. For the full year, the gross margin was 59% (63), where the decline is explained by the redistribution from royalty income to sales of goods. In 2020, Probi signed a pan-European partner agreement with a major player in Consumer Healthcare for the launch of concepts based on Probi's premium products in 15 European countries from 2021.

### APAC

Net sales for APAC during the year amounted to SEK 46.5 m (43.8). The increase was primarily due to increased sales in the Chinese market. During the first half of the year, as with EMEA, a clear stock accumulation was seen among customers in the region as a consequence of the restrictions due to COVID-19. Sales were weaker during the second half of the year as the region was still affected by the restrictions that entailed restrictions on canvassing for customers. The region's net sales corresponded to 6% of the Group's net sales. For the full year, the gross margin was 52% (61), where the decrease was primarily attributable to increased regulatory resources.

Risks and uncertainties

AREA	RISK DESCRIPTION	RISK MANAGEMENT
<p><b>Changes in consumer trends</b></p>	<p>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.</p>	<p>Probi contributes to global health by offering well-documented probiotics with a variety of health benefits. The business monitors trends, consumer behavior and demand for product content. Probi participates in and presents at various fairs and exhibitions around the world (physically or digitally). To keep the business up to date with societal trends, Probi purchases market reports and analyzes. The IPA (International Probiotics Association), of which Probi is a member, pursues an active agenda to highlight the benefits of probiotics. IPA drives innovation and tries to increase the use of probiotics.</p>
<p><b>Agreements with strategically selected customers</b></p>	<p>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.</p>	<p>One of Probi's focus areas for achieving doubled sales is to increase the number of key customers, in order to better balance fluctuations. Probi maintains a constant dialogue with the customer in order to understand and meet the customer's needs. With a competent and professional sales organization, with support from other functions, Probi creates good conditions for good and long-term business relationships, which in combination with long-term customer agreements reduces the risk of collaborations ending.</p>
<p><b>Acquisitions</b></p>	<p>Probi's business strategy includes growth through acquisitions. Opportunities for this depend on the company's ability to identify suitable acquisition targets, implement the acquisitions on favorable terms for Probi and successfully integrate them into the Group. If acquisitions cannot be implemented, the company's capacity for future growth could decline. In addition, completed acquisitions may also give rise to a number of risks, such as if the due diligence process prior to an acquisition proved insufficient or defective. Such flaws could, for example, result in expected acquisition synergies not being realized or in unforeseen costs arising from the integration process.</p>	<p>Probi has appointed a transaction committee and a transaction team to handle acquisition processes. In the transaction team, various functions are represented so that any risks can be identified and taken into account. If necessary, the company can also bring in external expertise to carry out the due diligence process.</p>
<p><b>Competition</b></p>	<p>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.</p>	<p>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.</p>
<p><b>Regulatory risks</b></p>	<p>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.</p>	<p>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.</p>
<p><b>Patents, trademarks and other rights</b></p>	<p>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.</p>	<p>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.</p>



AREA	RISK DESCRIPTION	RISK MANAGEMENT
<b>Operations subject to permits</b>	Probi conducts business that requires certain permits under environmental law in the US. Any changes in environmental legislation could adversely affect Probi's operations, financial position and results.	Probi's quality department works constantly and committedly with the quality and development of the business, while the business ensures that relevant laws, guidelines and practices are followed to maintain and procure new, necessary, permits from the authorities, certifications and licenses.
<b>Supply of goods</b>	A significant portion of Probi's future growth is based on the delivery of ready-made products in the form of powder, capsules and tablets. Probi has two manufacturing units in the US, a fermentation unit in Redmond, Washington and one manufacturing and packaging unit in Lafayette, Colorado. An interruption in production could have an impact on deliveries to customers, as most of the production takes place against orders. Part of the manufacturing is done by suppliers where Probi is dependent on them complying with agreed requirements in areas such as quality, volumes and delivery dates.	Probi's supply chain consists of both internal and external manufacturing. This means that it is possible to address changes in the order flow by adjusting the balance between internal and external manufacturing. With regard to external production, a dual sourcing strategy is applied to reduce dependence on individual suppliers.
<b>Product liability</b>	Probi could be subject to product liability claims if the company's products are alleged to have caused personal injury or property damage. Probi's insurance schemes contain product liability protection. Probi's business could give rise to claims for damages that are not covered by the insurance, which could have an adverse impact on Probi's earnings and financial position.	Producing live and active probiotics is a very complex process and Probi focuses on ensuring that the products are of the highest quality. The quality department conducts audits on Probi's contract suppliers and ensures that the suppliers meet the standards and requirements. The business also makes extensive and consistent analyses of all ingredients and components. Probi has a quality department with a laboratory that has processes for quality control. The manufacturing units have extensive experience of producing probiotics where quality is a prerequisite for satisfied customers.
<b>Strategic research and development</b>	Probi's R&D and product development encompass both in-house work and collaborations with external Swedish and international researchers and organizations. However, there is no guarantee that these efforts or collaborations will lead to new launchable products, or that Probi will receive exclusive rights to any results.	The board approves the strategic focus on research and development. Probi has established an internal steering group which ensures that the project is in line with the established strategy and also that the commercial interests are taken into account. The employees' competence and experience play an important role in planning initiatives and collaborations in research and development. Probi also has a network of international researchers and organizations.
<b>Key individuals and employees</b>	Probi's future development is dependent on being able to retain employees and on recruiting and introducing new employees with the required skills. Probi's most important asset is its employees and therefore the business is dependent on retaining and attracting new talent.	Probi regularly reviews the organization in various ways, such as mandatory development discussions and employee surveys. The company 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. For more information, see page 36.
<b>Information technology</b>	A secure and reliable IT environment with high availability is a prerequisite for efficient running of operations. External and internal attempts to breach the IT environment that limit its availability or result in the loss of company information could have an adverse impact on Probi's earnings and financial position.	The company has adopted an IT policy and the overall goal is to achieve secure management within the Group. The policy contains guidelines for acceptable use, purchasing, descriptions of how the Group handles privacy, information and IT security. Probi is constantly working to develop IT security to protect the business. Probi strives for the highest reasonable security against internal and external threats and unauthorized access through continued improvements.
<b>Financial risks</b>	Probi is exposed to several financial risks that primarily arise from the purchase and sale of products in foreign currency. Exchange and interest rates impact Probi's earnings and cash flows. The company is also exposed to liquidity risks and to credit and counterparty risks.	The company's financial policy is established by the board and contains guidelines for the management of various types of financial risk exposure. The corporate finance function in the Group is responsible for identifying and effectively limiting the Group's financial risks. For more detailed information, refer to Note 3.
<b>Pandemics</b>	A pandemic can affect the demand for Probi's products both positively and negatively depending on the nature of the pandemic. In the event of a pandemic, the supply of goods can also be affected as Probi is to some extent dependent on external suppliers from other countries. The sales channels that are dependent on physical meetings can also be negatively affected, while online sales, for example, can see a positive effect. If many employees become ill at the same time, there is a risk that the business may be adversely affected.	See risk management for changing consumer trends and supply of goods. With its own production, Probi can quickly develop a concept and deliver a finished consumer packaging according to the customer's changing needs. To ensure the safety of employees, the organization has technical solutions to guarantee office employees can do their job without physical meetings. The production facilities have strict routines regarding protective equipment, safety and keeping a physical distance.
<b>Sustainability risks</b>	For sustainability risks, see page 36.	For sustainability risk management, see page 36.

## Research and development

Probi's research program in 2020 generated promising results, which strengthened the company's product offerings and favored the launch of products in new health areas. Most clinical trials completed during the year are expected to further contribute to a continued solid and innovative product portfolio. Total expenses for research and development amounted to SEK 42.5 m (36.0), of which SEK 6.1 m (4.9) related to capitalized project costs. During the year, Örebro University, in collaboration with Probi and nine other Swedish companies, was granted funding for research on new needle-free vaccines through delivery via mucous membranes instead of traditional injections. Researchers will develop different types of new vaccines and investigate vaccination through the mucous membranes. The project will include the use of probiotic bacteria as carriers for the vaccine antigens in order to induce immunity to pathogens.

A research study was published during the year together with Lund University and shows a link between probiotics and a reduction in the side effects of acute psychosocial stress. The aim of the study was to investigate whether the intake of the probiotic strain *Lactiplantibacillus plantarum*, HEAL9<sup>®</sup> could counteract elevated cortisol and inflammation levels in people with chronic stress who are subjected to acute stress tests. The clinical results show that ingestion of *Lactiplantibacillus plantarum*, HEAL9<sup>®</sup> resulted in significant reductions in plasma levels of the two inflammatory markers (soluble fractalkin and CD163) compared to placebo. These markers are linked to acute stress in chronically stressed individuals. This is potentially a very exciting area that could lead to interesting opportunities in future as probiotics can play a role in mental health.

A major study that confirmed a positive effect on common colds when using Probi Defendum<sup>®</sup> was published during the year. The study, which was randomized, double-blind, and placebo-controlled, included nearly 900 healthy adults over three winter seasons. On average, adults suffer from 2-4 colds and upper respiratory tract infections per year and children as many as 6-8, resulting in many sick days and absences from daycare centers and workplaces. This study demonstrated that Probi Defendum<sup>®</sup> can be safely used to support a healthy immune system and its ability to fight colds. Probi Defendum<sup>®</sup> is now supported by four clinical trials, which have repeatedly shown a beneficial effect.

## Employees

At the end of the year, Probi had 176 (170) employees, of which 51% (51) were women. The average number of employees during the year was 170 (165).

## 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 creating profitable growth by expanding and developing sales on the global product market. The global market for probiotics is expected to continue growing in the coming years. In view of this, Probi's assessment and 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

According to the Companies Act, the Annual General Meeting must decide on guidelines for remuneration to the CEO and other senior executives. Guidelines were adopted at the Annual General Meeting on May 13, 2020. No deviations from these

guidelines have been made. 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. 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.

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.

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

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.

In addition to the fixed cash salary and the annual variable cash remuneration, senior executives and other selected key employees (up to ten persons) may each year be granted a variable long-term cash bonus (LTI-bonus). The LTI-bonus shall award EPS growth during the year of inclusion, which is also the performance year (year 1). The initial grant value shall be based on reach of the performance goal and shall amount to a maximum of 7.5-37.5% of the annual salary in the year of inclusion of each participant, depending on position. The initial grant value shall be vested over the following three years (year 2-4) and shall thereafter, upon pay-out, be indexed to reflect the share price development during the vesting period; i.e. if during the vesting period the share price has increased by 25%, the initial grant value shall upon payout of the LTI-bonus be increased by 25%. If during the vesting period the share price has declined by more than 33%, there shall be a guaranteed minimum of 67% of the grant value. If the share price has increased by more than 50% during the vesting period, the LTI-bonus payout shall be capped at 150% of the initial grant value. Should the initial grant value be the maximum value of 37.5% of the annual salary and the share price development over the vesting period be more than 50%, then the maximum payout value of the individual LTI-bonus should be 56.25% of the annual salary as per the year of inclusion. Payout of the LTI-bonus is conditional upon continued employment by the end of the vesting period (subject to customary exceptions). The costs associated with the LTI-bonus are regular personnel costs associated with cash compensation.

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.

For the senior executives, pensions, including health insurance, 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. 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.

Other benefits may include, for example, life insurance, medical insurance 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.

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 18 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.

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. 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.

### 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 34-39.

### 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, 2020, Probi had 4,220 (3,927) shareholders according to Euroclear Sweden AB. On that date, Probi had two owners with shareholdings representing at least one-tenth of the votes for all shares in the company: Symrise AG, Germany, and Swedbank Robur Fonder, Sweden, with 58.7% and 11.0% of the votes, respectively. At the end of 2020, Probi's share capital amounted to SEK 58,220,625 (58,220,625), distributed among 11,644,125 shares

(11,644,125). All shares are of the same class and carry one vote and equal rights to the company's assets and earnings. The Articles of Association contain no restrictions on the transferability of the shares.

At year-end, Probi held 250,000 of its own shares, corresponding to 2.1% of the total number of shares, with a quotient value of SEK 5 per share. These shares do not carry voting rights nor do they carry entitlement to dividends.

### 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	404,489,523
Share premium reserve	579,064,772
Profit for the year	62,020,278
<b>Total</b>	<b>1,045,574,573</b>

Based on an assessment of Probi's business operations and strategic investment decisions in 2020, the Board of Directors and the CEO propose that the 2021 Annual General Meeting resolves that a dividend of SEK 12,533,538 be paid for the 2020 financial year and that retained earnings totaling SEK 1,033,041,035 be brought forward in a new account.

# Corporate governance report

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

Probi's Corporate Governance is based on applicable legislation, resolutions by the Annual General Meeting (AGM), Articles of Association, listing agreement, the Swedish Code of Corporate Governance (the "Code") and work by the Board of Directors and Executive Management. For more information about the contents of the Code, refer to [www.bolagsstyrningskollegiet.se](http://www.bolagsstyrningskollegiet.se). This Corporate Governance Report refers to the 2020 financial year and has been prepared in accordance with the Swedish Annual Accounts Act and the Code's regulations. Probi's Articles of Association and additional information about Probi's Corporate Governance are available at [www.probi.com](http://www.probi.com), under 'Investor Relations.'

## Application of the code

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

## Annual General Meeting

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

The Annual General Meeting was held in Lund on May 13, 2020. The Board of Directors, auditors and Nomination Committee were elected at the AGM, which also resolved on guidelines for the remuneration of senior executives, as described in the following. The Board of Directors was also authorized during the period prior to the 2021 AGM, on one or more occasions, to:

- make decisions regarding a new rights issue of up to a total of 1,164,412 shares. This authorization includes the right to resolve to disapply the shareholders' pre-emptive rights and that payment is to be made in cash, in kind, or offsetting debt. When disapplying the shareholders' pre-emptive rights, the issue price is to be set on normal market terms. At the date of the resolution by the AGM, full exercise of the authorization would have entailed a 9% dilution of the share capital and voting rights. The Board did not exercise this authorization during 2020.
- make decisions regarding the buyback of its own shares. This authorization includes acquisitions on Nasdaq Stockholm of own shares in a number that at no time exceeds 10% of all

outstanding shares. According to the authorization, any acquisition is to take place on Nasdaq Stockholm at a price within the registered price interval at the time of acquisition, meaning the spread between the highest and lowest selling price. Payment for the shares is to be made in cash. The Board did not exercise this authorization in 2020.

- make decisions regarding the transfer of its own shares. This authorization includes a transfer of not more than the number of shares held by the company at the time of transfer. Any transfer may only take place at a price within the registered price span on Nasdaq Stockholm on each occasion, meaning the spread between the highest and lowest selling price. The Board was also authorized, with or without applying the shareholders' pre-emptive rights, to make decisions on the transfer of its own shares in a manner other than that described above. Transfers may be made in return for cash payment, in the form of property other than cash or through the offsetting of debt. The Board did not exercise this authorization during 2020.

## Nomination Committee

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

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

On May 13, 2020, the AGM resolved that the Nomination Committee should consist of four owner representatives. Heinz-Jürgen Bertram (CEO Symrise AG) (convenor), Bengt Jeppsson (Professor at the Department of Surgery at Lund University), Marianne Flink (Swedbank Robur Fonder) and Jannis Kitsakis (Fjärde AP-fonden) were re-elected as members of the Nomination Committee. The Nomination Committee's proposals are presented in conjunction with the official notification of the AGM. Shareholders who wish to contact the Nomination Committee can do so in accordance with the information provided on Probi's website: [www.probi.com](http://www.probi.com).

## The Board of Directors

According to Probi's Articles of Association, the Board is to consist of no fewer than three and no more than seven members, with no more than three deputies, and be elected at the AGM. The company's Articles of Association lack specific stipulations concerning the appointment and dismissal of Board Members and concerning amendments to the Articles of Association. On May 13, 2020, the AGM resolved to elect a Board consisting of five ordinary members with no deputies. In accordance with the Nomination Committee's proposal, the Meeting resolved on the re-election of Board Members Jean-Yves Parisot, Jörn Andreas, Charlotte Hansson and Irène Corthésy Malnoë and the new election of Malin Ruijsenaars. Jean-Yves Parisot was re-elected Chairman of the Board. A presentation of the Board Members is available on the company's website [www.probi.com](http://www.probi.com) and on pages 84-85.

The AGM resolves on principles and monetary limits for Board fees. For 2020, the Board's fees were fixed at SEK 1,750,000 of which SEK 500,000 for the Chairman of the Board and SEK 250,000 for each of the other four Board members. A

resolution was also made concerning remuneration for work on committees. The Chairman of the Audit Committee is to receive SEK 100,000 and each member SEK 50,000. The Chairman of the Remuneration Committee is to receive SEK 30,000 and each member SEK 20,000.

For a brief period, Board members may perform consulting services for Probi. This is pursuant to a Board decision and only if it is deemed to be the most cost-efficient and advantageous option for the company. This type of consulting fee is recognized in the Annual Report. For information regarding Board fees, see Notes 10 and 32.

### CEO

A presentation of the CEO is available on the company's website [www.probi.com](http://www.probi.com) and on page 86.

### Auditors

The 2020 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 2021 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 2020 focused primarily on strategic and structural issues involving Probi's long-term development and growth. The Board of Directors also held a further eight minuted meetings in 2020. 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 2020

Name	Year elected	Independent the company	Independent of major shareholders	Attendance at Board meetings	Attendance at Audit Committee meetings	Attendance at Remuneration Committee meetings
Jean-Yves Parisot	2015	Yes	No	13/13		1/1
Jonny Olsson*	2015	Yes	Yes	6/13	3/9	
Charlotte Hansson	2017	Yes	Yes	13/13	9/9	
Irène Corthésy Malnoë	2018	Yes	Yes	13/13		
Jörn Andreas	2019	Yes	No	13/13	9/9	
Malin Ruijsenaars	2020	Yes	Yes	7/13		1/1

\*stepped down as Board member at the AGM on May 13, 2020

### 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	2020	2019
<b>Net sales</b>	6, 7	<b>717,165</b>	<b>626,192</b>
<b>Operating expenses</b>			
Cost of goods sold	8, 10, 11, 30	-407,208	-334,546
<b>Gross profit</b>	6	<b>309 957</b>	<b>291,646</b>
Sales and marketing expenses	8, 10, 11	-95,780	-105,113
Research and development expenses	8, 10, 11	-36,347	-31,046
Administrative expenses	8, 9, 10, 11	-54,525	-45,989
Other operating income		376	2,044
<b>Operating profit/EBIT</b>		<b>123,681</b>	<b>111,542</b>
Financial income		241	1,423
Financial expenses	11	-2,123	-4,123
Exchange-rate gain/loss from financing activities		-1,712	681
<b>Financial result</b>	12	<b>-3,594</b>	<b>-2,019</b>
<b>Earnings before income taxes</b>		<b>120,087</b>	<b>109,523</b>
Income taxes	13	-27,394	-23,636
<b>Net income (attributable in its entirety to Parent Company shareholders)</b>		<b>92,693</b>	<b>85,887</b>
<b>Other comprehensive income</b>			
Components that will be reclassified to net income			
Exchange rate difference resulting from the translation of foreign operations		-118,003	36,040
Cash flow hedge		-280	99
Income taxes payable on these components		61	-21
<b>Total other comprehensive income</b>		<b>-118,222</b>	<b>36,118</b>
<b>Total comprehensive income for the year</b>		<b>-25,529</b>	<b>122,005</b>
Earnings per share before and after dilution, SEK		8.14	7.54

## Consolidated statement of financial position

**ASSETS**

Currency: SEK 000s	Note	2020	2019
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised development costs	14	39,620	42,775
Customer base	15	239,482	297,832
Technology and other intangible assets	16	110,057	131,317
Goodwill	17	278,238	316,202
Activated customer remuneration	18	6,548	9,822
<b>Total intangible assets</b>		<b>673,945</b>	<b>797,948</b>
<b>Tangible assets</b>			
Buildings and land	19	939	1,415
Plant and machinery	20	17,986	11,392
Equipment, tools, fixtures and fittings	21	2,280	2,958
Work in progress	22	38,853	31,021
Right-of-use assets	11	43,018	60,535
<b>Total tangible assets</b>		<b>103,076</b>	<b>107,320</b>
<b>Financial assets</b>			
Interests in other entities	24, 26	53,032	-
Deferred tax assets	13	28	6,008
<b>Total financial assets</b>		<b>53,060</b>	<b>6,008</b>
<b>Total non-current assets</b>		<b>830,081</b>	<b>911,276</b>
<b>Current assets</b>			
Inventories	25	98,396	79,497
<b>Current receivables</b>			
Trade receivables	26, 27	89,339	83,341
Other current receivables	26, 30	2,785	4,577
Prepaid expenses and accrued income	28	3,740	3,957
<b>Total current receivables</b>		<b>95,864</b>	<b>91,875</b>
Cash and cash equivalents	26	215,552	206,960
<b>Total current assets</b>		<b>409,812</b>	<b>378,332</b>
<b>Total assets</b>		<b>1,239,893</b>	<b>1,289,608</b>



## Shareholders' equity and liabilities

Currency: SEK 000s	Note	2020	2019
<b>Equity</b>			
Share capital		58,221	58,221
Other contributions received		600,205	600,205
Cumulative translation differences and other reserves		-58,034	60,186
Accumulated profit		514,811	433,514
<b>Total equity</b>		<b>1,115,203</b>	<b>1,152,126</b>
<b>Provisions</b>			
Deferred tax liabilities	13	3,906	-
<b>Total provisions</b>		<b>3,906</b>	<b>-</b>
<b>Non-current liabilities</b>			
Lease liabilities	11, 26	30,575	46,612
Other non-current liabilities		4,299	4,952
<b>Total non-current liabilities</b>		<b>34,874</b>	<b>51,564</b>
<b>Current liabilities</b>			
Trade payables	26	39,922	37,631
Tax liabilities		122	11,996
Lease liabilities	11, 26	13,873	14,556
Other current liabilities	26, 30	4,204	6,362
Accrued expenses and deferred income	29	27,789	15,372
<b>Total current liabilities</b>		<b>85,910</b>	<b>85,918</b>
<b>Total equity and liabilities</b>		<b>1,239,893</b>	<b>1,289,608</b>

## Consolidated statement of cash flows

Currency: SEK 000s	Note	2020	2019
<b>Net income</b>		<b>92,693</b>	<b>85,887</b>
Adjustments to reconcile net income with cash provided from operating activities			
Income taxes		27,394	23,636
Interest result		1,630	2,082
Amortisation, depreciation and impairment of non-current assets		72,780	71,891
Other non-cash expenses and income		3,419	-162
<b>Cash flow before working capital changes</b>		<b>197,916</b>	<b>183,334</b>
Changes in trade receivables and other current assets		-13,890	11,744
Change in inventories		-30,973	-8,359
Changes in trade payables and other current liabilities		19,272	3,229
Income taxes paid		-28,961	-16,337
<b>Cash flow from operating activities</b>		<b>143,364</b>	<b>173,611</b>
<b>Investing activities</b>			
Payments for investing in intangible assets	14, 15, 16, 17, 18	-13,334	-8,418
Payments for investing in property, plant and equipment	19, 20, 21, 22	-30,036	-26,731
Divestment of property, plant and equipment	21	-	32
Payments for investing in interests in other entities	24	-53,032	-
<b>Cash flow from investing activities</b>		<b>-96,402</b>	<b>-35,117</b>
<b>Financing activities</b>			
Interest paid		-3,388	-2,986
Interest received		241	1,423
Redemption of bank borrowings		-	-119,000
Lease commitments paid		-13,146	-12,451
Dividends paid		-11,394	-
<b>Cash flow from financing activities</b>		<b>-27,687</b>	<b>-133,014</b>
<b>Net change in cash and cash equivalents</b>		<b>19,275</b>	<b>5,480</b>
Effects of changes in exchange rates		-10,683	2,181
<b>Total changes</b>		<b>8,592</b>	<b>7,661</b>
Cash and cash equivalents, 1 January		206,960	199,299
Cash and cash equivalents, 31 December		215,552	206,960

## Consolidated statement of changes in shareholders' equity

Currency: SEK 000s	Share capital	Other contributions received	Cumulative translation differences	Reserves	Accumulated profit	Total equity
<b>Opening balance, 1 Jan 2019</b>	<b>58,221</b>	<b>600,205</b>	<b>23,930</b>	<b>139</b>	<b>347,627</b>	<b>1,030,122</b>
Net income	-	-	-	-	85,887	85,887
Other comprehensive income	-	-	36,039	78	-	36,117
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>36,039</b>	<b>78</b>	<b>85,887</b>	<b>122,004</b>
Dividends	-	-	-	-	-	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance, 31 Dec 2019</b>	<b>58,221</b>	<b>600,205</b>	<b>59,969</b>	<b>217</b>	<b>433,514</b>	<b>1,152,126</b>
<b>Opening balance, 1 Jan 2020</b>	<b>58,221</b>	<b>600,205</b>	<b>59,969</b>	<b>217</b>	<b>433,514</b>	<b>1,152,126</b>
Net income	-	-	-	-	92,693	92,693
Other comprehensive income	-	-	-118,003	-217	-	-118,220
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-118,003</b>	<b>-217</b>	<b>92,693</b>	<b>-25,527</b>
Dividends	-	-	-	-	-11,394	-11,394
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-11,394</b>	<b>-11,394</b>
<b>Closing balance, 31 Dec 2020</b>	<b>58,221</b>	<b>600,205</b>	<b>-58,034</b>	<b>-</b>	<b>514,811</b>	<b>1,115,203</b>

## Parent Company's income statement

Currency: SEK 000s	Note	2020	2019
Net sales	7	279,907	368,372
Other revenue	7	8,710	5,864
<b>Total operating revenue</b>	7	<b>288,617</b>	<b>374,236</b>
Cost of goods sold	8,10,11,30	-82,794	-122,760
<b>Gross profit</b>		<b>205,823</b>	<b>251,476</b>
Sales and marketing expenses	8, 10, 11	-46,854	-55,673
Research and development expenses	8, 10, 11	-35,624	-31,084
Administrative expenses	8, 9, 10, 11	-43,109	-34,183
<b>Operating profit</b>		<b>80,236</b>	<b>130,536</b>
Interest income		150	322
Interest expenses		-5	-698
Other financial income		4,632	2,767
Other financial expenses		-5,927	-3,241
<b>Financial result</b>	12	<b>-1,150</b>	<b>-850</b>
<b>Earnings before income taxes</b>		<b>79,086</b>	<b>129,686</b>
Income taxes	13	-17,066	-28,368
<b>Net income</b>		<b>62,020</b>	<b>101,318</b>

## Other comprehensive income

Currency: SEK 000s	2020	2019
Components to be reclassified to net income		
Cash flow hedge	-280	100
Income taxes payable on these components	61	-21
<b>Total other comprehensive income</b>	<b>-219</b>	<b>79</b>
<b>Total comprehensive income</b>	<b>61,801</b>	<b>101,397</b>

## Parent Company's balance sheet

### ASSETS

Currency: SEK 000s	Note	2020	2019
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised development costs	14	39,620	42,775
Technology and other intangible assets	16	16,680	12,298
Activated customer remuneration	18	6,548	9,822
<b>Total intangible assets</b>		<b>62,848</b>	<b>64,895</b>
<b>Tangible assets</b>			
Buildings and land	19	-	-
Property, plant and equipment	21	1,353	2,282
<b>Total tangible assets</b>		<b>1,353</b>	<b>2,282</b>
<b>Financial assets</b>			
Participations in Group companies	23	909,320	909,320
Interests in other entities	24, 26	53,032	
<b>Total financial assets</b>		<b>962,352</b>	<b>909,320</b>
<b>Total non-current assets</b>		<b>1,026,553</b>	<b>976,497</b>
<b>Current assets</b>			
Inventories	25	7,961	8,503
<b>Current receivables</b>			
Trade receivables	26, 27	19,346	57,004
Other current receivables	26, 30	1,847	3,489
Prepaid expenses and accrued income	28	3,651	3,754
<b>Total current receivables</b>		<b>24,844</b>	<b>64,247</b>
Cash and bank balances	26	137,893	113,395
<b>Total current assets</b>		<b>170,698</b>	<b>186,145</b>
<b>Total assets</b>		<b>1,197,251</b>	<b>1,162,642</b>

## Parent Company's balance sheet, cont.

**SHAREHOLDERS' EQUITY AND LIABILITIES**

Currency: SEK 000s	Note	2020	2019
<b>Restricted equity</b>			
Share capital (no. of shares: 11,644,125)		58,221	58,221
Statutory reserve		21,140	21,140
Reserve for capitalised development costs		33,406	33,292
<b>Total restricted equity</b>		<b>112,767</b>	<b>112,653</b>
<b>Non-restricted equity</b>			
Share premium reserve		579,065	579,065
Accumulated profit		404,489	314,898
Net income		62,020	101,318
<b>Total non-restricted equity</b>		<b>1,045,574</b>	<b>995,281</b>
<b>Total equity</b>		<b>1,158,341</b>	<b>1,107,934</b>
<b>Provisions</b>			
Deferred tax liability	13	-	61
<b>Total provisions</b>		<b>-</b>	<b>61</b>
<b>Non-current liabilities</b>			
Liabilities to Group companies	26	4,035	4,035
<b>Total non-current liabilities</b>		<b>4,035</b>	<b>4,035</b>
<b>Current liabilities</b>			
Trade payables	26	16,955	24,968
Short-term payable, Group companies		1,260	1,892
Tax liabilities		30	11,925
Other current liabilities	26, 30	3,612	4,662
Accrued expenses and deferred income	29	13,018	7,165
<b>Total current liabilities</b>		<b>34,875</b>	<b>50,612</b>
<b>Total equity and liabilities</b>		<b>1,197,251</b>	<b>1,162,642</b>

## Parent Company's cash flow statement

Currency: SEK 000s	Note	2020	2019
<b>Net income</b>		<b>62,020</b>	<b>101,318</b>
Adjustments to reconcile net income with cash provided from operating activities			
Income taxes		17,066	28,368
Interest result		-18	913
Amortisation, depreciation and impairment of non-current assets		13,530	10,609
Other non-cash expenses and income		3,560	-256
<b>Cash flow from operating activities before working capital changes</b>		<b>96,158</b>	<b>140,952</b>
Changes in trade receivables and other current assets		39,480	-5,406
Change in inventories		543	-4,981
Changes in trade payables and other current liabilities		-4,485	-5,604
Income taxes paid		-28,961	-16,337
<b>Cash flow from operating activities</b>		<b>102,735</b>	<b>108,624</b>
<b>Investing activities</b>			
Payments for investing in intangible assets	14, 16, 18	-13,334	-8,418
Payments for investing in property, plant and equipment	19, 21	-494	-778
Redemption of loans, subsidiaries	24	-53,032	-
<b>Cash flow from investing activities</b>		<b>-66,860</b>	<b>-9,196</b>
<b>Financing activities</b>			
Interest paid		-133	-717
Interest received		150	323
Redemption of bank borrowings		-	-119,000
Dividends paid		-11,394	-
<b>Cash flow from financing activities</b>		<b>-11,377</b>	<b>-119,394</b>
<b>Net change in cash and cash equivalents</b>		<b>24,498</b>	<b>-19,966</b>
Effects of changes in exchange rates		-	-
<b>Total changes</b>		<b>24,498</b>	<b>-19,966</b>
Cash and cash equivalents, 1 January		113,395	133,361
Cash and cash equivalents, 31 December		137,893	113,395

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

Currency: SEK 000s	Share	Statutory	Reserve for capitalised development expenses	Share premium reserve	Accumulated profit	Total equity
<b>Opening balance, 1 Jan 2019</b>	<b>58,221</b>	<b>21,140</b>	<b>32,254</b>	<b>579,065</b>	<b>315,859</b>	<b>1,006,539</b>
Net income	-	-	-	-	101,318	101,318
Other comprehensive income <sup>1</sup>	-	-	-	-	77	77
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>101,395</b>	<b>101,395</b>
Reserve for capitalised development costs	-	-	1,038	-	-1,038	-
<b>Total transfer between categories in equity</b>	<b>-</b>	<b>-</b>	<b>1,038</b>	<b>-</b>	<b>-1,038</b>	<b>-</b>
Dividends	-	-	-	-	-	-
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance, 31 Dec 2019</b>	<b>58,221</b>	<b>21,140</b>	<b>33,292</b>	<b>579,065</b>	<b>416,216</b>	<b>1,107,934</b>
<b>Opening balance, 1 Jan 2020</b>	<b>58,221</b>	<b>21,140</b>	<b>33,292</b>	<b>579,065</b>	<b>416,216</b>	<b>1,107,934</b>
Net income	-	-	-	-	62,020	62,020
Other comprehensive income <sup>1</sup>	-	-	-	-	-219	-219
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,801</b>	<b>61,801</b>
Reserve for capitalised development costs	-	-	114	-	-114	-
<b>Total transfer between categories in equity</b>	<b>-</b>	<b>-</b>	<b>114</b>	<b>-</b>	<b>-114</b>	<b>-</b>
Dividends	-	-	-	-	-11,394	-11,394
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-11,394</b>	<b>-11,394</b>
<b>Closing balance, 31 Dec 2020</b>	<b>58,221</b>	<b>21,140</b>	<b>33,406</b>	<b>579,065</b>	<b>466,509</b>	<b>1,158,341</b>



# Notes

## Note 1. General information

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

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

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

At the end of the reporting period, the number of shares outstanding was 11,394,125 (11,394,125). The average number of shares outstanding was 11,394,125 (11,394,125). The company has no outstanding convertible loans or warrants, so dilution does not occur. In 2011, Probi bought back its own shares and at the end of 2020 held a total of 250,000 shares in treasury.

## Note 2. Accounting and measurement policies

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

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 2020 financial year, no new standards came into effect that affected the company's accounts.

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

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

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

The Parent Company's functional currency is the Swedish krona

(SEK) which is also the reporting currency for both the Parent Company and the Group.

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

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

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

### 2.2 Consolidated financial statements

The consolidated financial statements include the financial statements of the Parent Company and those of all subsidiaries. All companies over which the Group obtained control, according to the requirements of IFRS 10, are fully consolidated as subsidiaries. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases. As for the associated company Viva-Pro, no transactions have yet taken place in which the costs were taken on by the Parent Company.

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

### 2.3 Segment reporting

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

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

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

### 2.4 Net sales

Probi's net sales comprise revenue from sales of own products and royalty revenue from business partners who conduct licensed sales of goods containing Probi's products. Probi recognizes revenue when the performance obligation has been met for each of the company's operations, as described per revenue category below. The performance obligation is the actual goods or royalty, and revenue is recognized in the period when it was

provided. Probi's payment terms range from advance payments up to 90 days' credit, depending on delivery-specific factors. For further information about the Group's allocation of revenue, see Note 7.

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

## 2.5 Income tax

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

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

## 2.6 Intangible assets

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

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

- Technology and other intangible assets: Technology and other intangible assets are part of the intangible assets identified in the acquisition of Nutraceutix, which became effective on October 3, 2016. The amortization period for technology is 15 years. Other intangible assets also include patent expenses with an amortization period of 10 years and licenses and software with an amortization period of 3-5 years. Annual fees and other additional fees are expensed on an ongoing basis. The asset is tested at least once annually for impairment.
- Activated customer remuneration: Depreciation is made over the length of the contract

## 2.7 Tangible assets

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

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

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

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

## 2.8 Impairment of non-financial assets

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

## 2.9 Leases

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

The lease liability is valued at the present value of the remaining lease payments using the marginal lending rate as of 1 January each year. Furthermore, the asset is valued at an amount corresponding to the lease liability, adjusted for prepaid lease payments. Probi has calculated an average marginal lending rate of 3.5% based on a borrowing rate adjusted with a risk factor for the economic environment in which the transaction is carried out. See Note 11 for further information.

## 2.10 Financial instruments

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

- Cash and cash equivalents: Cash and cash equivalents include cash and bank balances. Cash and cash equivalents do not include current liabilities.

- **Accounts receivable:** Accounts receivable arise when the Group supplies goods or services directly to a customer without intending to trade in the receivable. Accounts receivable are recognized at nominal value less any decline in value. The Group applies the simplified method for calculating expected losses. This method entails that the expected losses throughout the term of the receivable are used as the starting point for accounts receivable. The expected credit loss rates are based on qualitative judgements, the customers' payment history and the number of days of delays. Accounts receivable are written off when there is no reasonable expectation of repayment. Credit losses on accounts receivable are recognized in EBIT. For further information, refer to Note 27.
- **Trade payables:** Accounts payable are commitments to pay for goods or services acquired in operating activities from suppliers. Accounts payable are classified as current liabilities if they fall due within one year; otherwise they are recognized as non-current liabilities.
- **Receivables and liabilities in foreign currencies:** Receivables and liabilities in foreign currencies are recognized at the closing-day rate. Exchange-rate effects on operating receivables and liabilities are recognized in EBIT, while exchange-rate effects on financial receivables and liabilities are recognized in net financial items.
- **Participations in other companies:** Participations in other companies are measured at fair value through other comprehensive income. If there is insufficient information to measure fair value, or if there is a broad range of possible measurements of fair value and the cost represents the best estimate of fair value within that range, the cost can be used as an estimate of fair value.
- **Currency forward contracts:** All contracts pertain to hedging of currency exposure resulting from customer receipts and supplier payments in USD and are initially and subsequently measured at fair value in the balance sheet. When applying hedge accounting, the relationship between the hedging instrument and the hedged item is documented. An assessment of the hedge effectiveness is also documented, both at the inception of the hedge and on an ongoing basis. Effectiveness refers to the degree to which fair value and cash flow changes in the hedging instrument offset corresponding changes in the hedged item. If the hedge accounting criteria are met, the effective portion of change in fair value when derivatives held for cash flow hedges are remeasured is recognized in other comprehensive income and accumulated in the hedging reserve in shareholders' equity. The cumulative hedging gain or loss that was recognized in the hedging reserve is reversed to profit or loss in the same period as the hedged cash flow affects profit or loss. Measurement gains/losses from the derivative financial instrument will be reclassified to sales or cost of goods sold depending on the underlying transaction (accounts receivable or accounts payable in foreign currencies). After reclassification, these hedging gains and losses will be offset against the actual currency gains and losses from operating business in cost of goods sold. Measurement gains/losses are recognized in the financial result insofar as currency risk hedges are used to hedge the financial activity. Any ineffective portion of the change in value is recognized immediately in profit or loss. If the hedging relationship is interrupted but cash flow is still expected to occur, the cumulative change in value is recognized in the hedging reserve until the underlying cash flow for the hedging transaction is no longer expected to occur, and the cumulative change in value recognized in the hedging reserve is immediately transferred to profit or loss. In 2020, Probi applied hedge accounting for derivatives in order to hedge expected operating flows in USD. Hedge accounting was not applied for derivatives whose purpose is to hedge financial receivables and liabilities. See Note 30 for further information about financial derivatives.

### 2.11 Inventory

Inventory is measured, using the first-in-first-out (FIFO) principle, at the lower of cost and net realizable value on the balance sheet date. The cost of the finished goods comprises the cost of raw materials, direct salaries, other direct costs and attributable indirect manufacturing costs, based on normal manufacturing capacity. The net sales value is the estimated sales price in operating activities, less any applicable sales over-heads.

### 2.12 Provisions

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

### 2.13 Remuneration of employees

#### Pensions

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

#### Severance payments

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

#### Bonus plans and variable remuneration

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

### 2.14 Acquisition and sale of treasury shares

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

### 2.15 Statement of cash flows

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

### 2.16 Parent Company's accounting policies

The Parent Company applies the same accounting policies as the Group, with the exceptions and supplements stipulated in "RFR2 Accounting for legal entities" and in accordance with the Swedish Annual Accounts Act (ÅRL). This means that the Parent Company prepares its financial statements using all IFRSs adopted by the EU, when this is possible within the framework of the Swedish Annual Accounts Act, and with regard to the relation-

ship 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 2020 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 and revised standards have been identified that will affect the 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 2020, 91% of Probi's revenue was billed in foreign currencies, of which 79% in USD and 13% 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 ration, 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 2020 would have been  $\pm$  SEK 6.9 m., and  $\pm$  SEK 42.9 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 2020, Probi carried out impairment tests to determine the recoverable amount of the projects that had been capitalized at 31 December 2020. The value in use, meaning the present value of the anticipated future cash flow from the products encompassed by the capitalized development costs, did not indicate any impairment requirement.

#### **Goodwill impairment testing**

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

#### **Assessment of participations in other companies**

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

#### **Revenue recognition**

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

## Note 5. Management of capital

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

### Probi's financial objectives:

#### Growth

The objective is for annual organic sales growth shall exceed 7%. In 2020, Probi's growth was 15% (4).

#### Margin

Growth is to be combined with an EBITDA margin at or above 29%. In 2020, Probi's EBITDA margin was 27% (29).

### 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	404,489,523
Share premium reserve	579,064,772
Net income	62,020,278
<b>Total</b>	<b>1,045,574,573</b>

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

that a dividend of SEK 1.00 per share be paid to shareholders	12,533,538
to be carried forward	1,033,041,035
<b>Total</b>	<b>1,045,574,573</b>

The profit brought forward by the Group totaled SEK 514,811,000 according to the consolidated statement of financial position and other contributions received amounted to SEK 600,205,000.

## Note 6. Segment information

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

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

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

## GROSS PROFIT BY REGION

2020	Americas	EMEA	APAC	Total
Net sales	564,633	106,019	46,513	<b>717,165</b>
Cost of goods sold	-340,925	-44,010	-22,273	<b>-407,208</b>
<b>Gross profit</b>	<b>223,708</b>	<b>62,009</b>	<b>24,240</b>	<b>309,957</b>

2019	Americas	EMEA	APAC	Total
Net sales	468,913	113,455	43,824	<b>626,192</b>
Cost of goods sold	-275,017	-42,195	-17,334	<b>-334,546</b>
<b>Gross profit</b>	<b>193,896</b>	<b>71,260</b>	<b>26,490</b>	<b>291,646</b>

## OPERATING REVENUE DISTRIBUTED BY GEOGRAPHIC AREAS

	2020	2019
USA	560,921	460,226
Americas, excl. USA	3,712	8,687
Sverige	47,010	60,880
EMEA, excl. Sverige	59,009	52,575
APAC	46,513	43,824
<b>Net sales</b>	<b>717,165</b>	<b>626,192</b>

Probi's five largest customers account for 52% of the Group's sales, or SEK 373 m., all in the Americas.

## Note 7. Revenue distribution

### REVENUE DISTRIBUTION

Group 2020	Americas	EMEA	APAC	Total
Goods	558,294	100,721	46,484	<b>705,499</b>
Royalties	6,339	5,298	29	<b>11,666</b>
<b>Net sales</b>	<b>564,633</b>	<b>106,019</b>	<b>46,513</b>	<b>717,165</b>

Group 2019	Americas	EMEA	APAC	Total
Goods	456,721	83,408	43,791	<b>583,920</b>
Royalties	12,192	30,047	33	<b>42,272</b>
<b>Net sales</b>	<b>468,913</b>	<b>113,455</b>	<b>43,824</b>	<b>626,192</b>

Parent Company 2020	Americas	EMEA	APAC	Total
Goods	44,830	98,292	40,852	<b>183,974</b>
Royalties	90,606	5,298	29	<b>95,933</b>
<b>Net sales</b>	<b>135,436</b>	<b>103,590</b>	<b>40,881</b>	<b>279,907</b>
Other revenue	8,522	188	-	<b>8,710</b>
<b>Total revenue</b>	<b>143,958</b>	<b>103,778</b>	<b>40,881</b>	<b>288,617</b>

Parent Company 2019	Americas	EMEA	APAC	Total
Goods	202,060	81,405	41,631	<b>325,096</b>
Royalties	13,196	30,047	33	<b>43,276</b>
<b>Net sales</b>	<b>215,256</b>	<b>111,452</b>	<b>41,664</b>	<b>368,372</b>
Other revenue	4,365	1,499	-	<b>5,864</b>
<b>Total revenue</b>	<b>219,621</b>	<b>112,951</b>	<b>41,664</b>	<b>374,236</b>

**Note 8. Cost distribution**

	Group		Parent Company	
	2020	2019	2020	2019
Product costs	-256,732	-212,691	-65,342	-108,116
Currency changes from operating activities	117	-2,473	-108	-2,473
Employee benefit expenses	-157,635	-135,886	-63,088	-50,470
Other external costs	-106,455	-91,709	-66,313	-72,031
Depreciation/amortisation and disposal of non-current assets	-72,780	-71,891	-13,530	-10,610
<b>Total</b>	<b>-593,485</b>	<b>-514,650</b>	<b>-208,381</b>	<b>-243,700</b>

**Note 9. Auditors' fees**

	Group		Parent Company	
	2020	2019	2020	2019
<b>Ernst &amp; Young</b>				
Audit assignment	871	924	562	681
Audit-related services	79	135	79	135
Other services	36	-	36	-
<b>Total</b>	<b>986</b>	<b>1 059</b>	<b>677</b>	<b>816</b>

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

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

	Group		Parent Company	
	2020	2019	2020	2019
<b>Sweden</b>	<b>44</b>	<b>41</b>	<b>44</b>	<b>41</b>
of whom women	31	29	31	29
<b>Abroad</b>				
Singapore	3	3	-	-
US	123	121	-	-
<b>Total abroad</b>	<b>126</b>	<b>124</b>	<b>0</b>	<b>0</b>
of whom women	56	52	-	-
<b>Total</b>	<b>170</b>	<b>165</b>	<b>44</b>	<b>41</b>
of whom women	87	81	31	29

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

	2020		2019	
	Women	Men	Women	Men
Board of Directors	3	2	2	3
CEO and Management Group	2	6	2	7

**SALARIES AND REMUNERATION**

	Group		Parent Company	
	2020	2019	2020	2019
Board of Directors	1,664	1,763	1,665	1,763
CEO and Management Group	17,011	16,410	13,104	9,801
Other employees	97,518	82,498	26,698	21,887
<b>Total</b>	<b>116,193</b>	<b>100,671</b>	<b>41,467</b>	<b>33,451</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Social security contributions, total</b>	<b>28,673</b>	<b>24,370</b>	<b>20,926</b>	<b>17,102</b>
Of which pension costs:	8,955	7,421	7,332	5,972
Board Members	-	-	-	-
CEO and Management Group	3,283	2,528	3,139	2,327
Other employees	5,672	4,893	4,193	3,645

**REMUNERATION AND OTHER BENEFITS TO BOARD MEMBERS**

	Parent Company 2020			
	Board of Directors	Rem. Comm.	Aud. Comm.	Total
Jörn Andreas	250	-	50	300
Charlotte Hansson	250	-	100	350
Irène Corthésy Malnoë	250	-	-	250
Jonny Olsson	32	-	-	32
Jean-Yves Parisot	500	23	-	523
Malin Ruijsenaars	187	23	-	210
<b>Total</b>	<b>1,469</b>	<b>46</b>	<b>150</b>	<b>1,665</b>

	Parent Company 2019			
	Board of Directors	Rem. Comm.	Aud. Comm.	Total
Jörn Andreas	188	-	37	225
Anna Malm Bernsten	50	-	10	60
Scott Bush	50	-	-	50
Charlotte Hansson	238	-	92	330
Irène Corthésy Malnoë	238	-	-	238
Jan Nilsson	50	5	-	55
Jonny Olsson	238	15	47	300
Jean-Yves Parisot	475	30	-	505
<b>Total</b>	<b>1,527</b>	<b>50</b>	<b>186</b>	<b>1,763</b>

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

	2020	Base salary	Variable rem.	Other benefits	Pension costs	Total
Tom Rönnlund, CEO	2,671	1,271	90	1,104	5,136	
Other management, average (7)	10,187	2,376	417	2,178	15,158	
	<b>2019</b>	<b>Base salary</b>	<b>Variable rem.</b>	<b>Other benefits</b>	<b>Pension costs</b>	<b>Total</b>
Tom Rönnlund, CEO	2,689	397	79	809	3,974	
Other management, average (8)	11,409	1,351	484	1,720	14,964	

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 amounted to SEK 8.8 m. (2.0 m.). 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 guide-lines 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.

### Note 11. Leases

Leases include lease of premises, production equipment, office equipment and company cars. The Group's expenses for short-term leases for which the underlying asset has a low value amounted to SEK 0.7 m. (0.5 m.) for 2020.

#### COST DISTRIBUTION IFRS 16 LEASES

	Group	
	2020	2019
<b>Depreciation of leases</b>		
Buildings and land	-13,657	-13,895
Plant and machinery	-148	-13
Equipment, tools and fixtures	-267	-291
<b>Total depreciation of leases</b>	<b>-14,072</b>	<b>-14,199</b>
<b>Financial expenses, leases</b>		
Buildings and land	-1,834	-2,262
Plant and machinery	-22	-
Equipment, tools and fixtures	-10	-7
<b>Total financial expenses leases</b>	<b>-1,866</b>	<b>-2,269</b>
<b>Total expenses attributable to leases</b>	<b>-15,938</b>	<b>-16,468</b>

#### IFRS 16 LEASES IN THE BALANCE SHEET

	Group	
	2020	2019
<b>Buildings and land</b>		
<b>Opening value</b>	<b>59,855</b>	<b>71,464</b>
Depreciation for the year	-13,657	-13,895
Translation differences	-4,770	2,286
<b>Closing residual value</b>	<b>41,428</b>	<b>59,855</b>
<b>Plant and machinery</b>		
<b>Opening value</b>	<b>10</b>	<b>22</b>
Acquisitions	755	-
Depreciation for the year	-148	-13
Translation differences	-69	1
<b>Closing residual value</b>	<b>548</b>	<b>10</b>

<b>Equipment, tools and fixtures</b>	<b>2020</b>	<b>2019</b>
<b>Opening value</b>	<b>670</b>	<b>244</b>
Acquisitions	637	761
Disposals	-	-44
Depreciation for the year	-267	-291
Translation differences	2	-
<b>Closing residual value</b>	<b>1,042</b>	<b>670</b>

<b>Total leases in the balance sheet</b>	<b>43,018</b>	<b>60,535</b>
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#### LEASING LIABILITIES

	Group	
	2020	2019
<b>Opening value</b>	<b>61 168</b>	<b>70 658</b>
Additional leasing liabilities	1 392	761
Interest expenses	182	157
Paid leasing liabilities	-13 140	-12 547
Translation differences	-5 154	2 139
<b>Closing leasing liabilities</b>	<b>44 448</b>	<b>61 168</b>

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

	Parent company	
	2020	2019
Lease payments for the year	4,810	4,719
Falls due for payment within one year	5,206	4,821
Falls due for payment later than one year, but less than five	5,028	8,703
Falls due for payment later than five years	-	-

### Note 12. Financial income and expenses

	Group		Parent Company	
	2020	2019	2020	2019
Interest income	241	1,423	150	322
Exchange rate gains	3,963	2,767	3,963	2,767
Exchange rate losses	-5,675	-2,086	-5,675	-2,086
Interest expenses	-1,871	-2,967	-5	-698
Other financial expenses	-252	-1,156	-252	-1,155
Dividend from subsidiaries	-	-	669	-
<b>Total</b>	<b>-3,594</b>	<b>-2,019</b>	<b>-1,150</b>	<b>-850</b>

**Note 13. Income tax**

	Group		Parent Company			Group		Parent Company	
	2020	2019	2020	2019		2020	2019	2020	2019
Current tax for the year	-17,096	-28,381	-17,066	-28,368	<b>Change in deferred tax for the year</b>				
Deferred tax	-10,154	4,906	-	-	Temporary differences in deferred tax	-1,157	-5,060	61	40
Tax effect of changed tax rate	-144	-161	-	-	Tax effect of changed tax rate	-144	-161	-	-
<b>Change in deferred tax</b>	<b>-10,298</b>	<b>4,745</b>	-	-	Deferred tax assets in capitalised loss carryforwards	-4,679	9,699	-	-
<b>Total income tax</b>	<b>-27,394</b>	<b>-23,636</b>	<b>-17,066</b>	<b>-28,368</b>	<b>Total change in deferred tax for the year</b>	<b>-5,980</b>	<b>4,478</b>	<b>61</b>	<b>40</b>
<b>Reconciliation of effective tax rate</b>					<b>Change in deferred tax liability for the year</b>				
Profit before tax	120,087	109,523	79,086	129,686	Temporary differences in deferred tax	-3,906	-	-	-61
Tax according to parent company's tax rate of 21.4%	-25,699	-23,438	-16,924	-27,753	<b>Total change in deferred tax liability for the year</b>	<b>-3,906</b>	<b>-</b>	<b>-</b>	<b>-61</b>
Adjustment of tax attributable to previous years	63	-159	-6	-218	<b>Total change in deferred tax for the year</b>	<b>-9,886</b>	<b>4,478</b>	<b>61</b>	<b>-21</b>
Tax effect of non-deductible expenses	-313	-626	-136	-397					
Tax effect of foreign subsidiaries	-1,325	722	-	-					
Tax effect of changed tax rate	-144	-161	-	-					
Other taxes	24	26	-	-					
<b>Total effective tax</b>	<b>-27,394</b>	<b>-23,636</b>	<b>-17,066</b>	<b>-28,368</b>					

**DEFERRED TAX ASSETS AND LIABILITIES, 2020**

	Group			Parent Company		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax	Deferred tax assets	Deferred tax liabilities	Net deferred tax
Intangible assets	5,079	-18,949	-13,870	-	-	-
Equipment, tools and fixtures	27	-11,620	-11,593	-	-	-
Financial assets	-	-	-	-	-	-
Inventories	42	-	42	-	-	-
Accounts receivable and other receivables	133	-	133	-	-	-
Other provisions and current liabilities	11,493	-998	10,495	-	-	-
Loss carryforwards	10,915	-	10,915	-	-	-
<b>Subtotal</b>	<b>27,689</b>	<b>-31,567</b>	<b>-3,878</b>	<b>-</b>	<b>-</b>	<b>-</b>
Offsetting	-27,661	27,661	-	-	-	-
<b>Total</b>	<b>28</b>	<b>-3,906</b>	<b>-3,878</b>	<b>-</b>	<b>-</b>	<b>-</b>

**DEFERRED TAX ASSETS AND LIABILITIES, 2019**

	Group			Parent Company		
	Deferred tax assets	Deferred tax liabilities	Net deferred tax	Deferred tax assets	Deferred tax liabilities	Net deferred tax
Intangible assets	5,650	-16,691	-11,041	-	-	-
Equipment, tools and fixtures	29	-12,234	-12,205	-	-	-
Financial assets	-	-	-	-	-61	-61
Inventories	495	-261	234	-	-	-
Accounts receivable and other receivables	4	-	4	-	-	-
Other provisions and current liabilities	13,536	-258	13,278	-	-	-
Loss carryforwards	15,737	-	15,737	-	-	-
<b>Subtotal</b>	<b>35,451</b>	<b>-29,444</b>	<b>6,007</b>	<b>-</b>	<b>-61</b>	<b>-61</b>
Offsetting	-29,443	29,444	-	-	-	-
<b>Total</b>	<b>6,008</b>	<b>-</b>	<b>6,008</b>	<b>-</b>	<b>-61</b>	<b>-61</b>

At December 31, 2020, the Group's loss carryforwards pertaining to federal tax in the US amounted to SEK 45.5 m. (64.8 m.). Including additional loss carryforwards pertaining to state tax in the US, the Group's total loss carryforwards corresponded to a deferred tax asset of SEK 10.9 m. (15.7 m.) at December 31,

2020. All loss carryforwards were capitalized at this date. Company management is of the opinion that the prerequisites for utilizing the deficit are warranted based on expected future development.



**Note 14. Capitalized development costs**

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	79,625	74,693	79,625	74,693
New acquisitions	6,128	4,932	6,128	4,932
<b>Closing accumulated cost</b>	<b>85,753</b>	<b>79,625</b>	<b>85,753</b>	<b>79,625</b>
Opening depreciation/ amortisation	-25,799	-19,348	-25,799	-19,348
Depreciation/amortisation for the year	-9,283	-6,451	-9,283	-6,451
<b>Closing accumulated depreciation/amortisation</b>	<b>-35,082</b>	<b>-25,799</b>	<b>-35,082</b>	<b>-25,799</b>
Opening depreciation/ amortisation	-11,051	-11,051	-11,051	-11,051
<b>Closing accumulated impairment</b>	<b>-11,051</b>	<b>-11,051</b>	<b>-11,051</b>	<b>-11,051</b>
<b>Closing residual value</b>	<b>39,620</b>	<b>42,775</b>	<b>39,620</b>	<b>42,775</b>

**Note 15. Customer base**

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	380,211	366,090	-	-
Translation differences	-46,050	14,121	-	-
<b>Closing accumulated cost</b>	<b>334,161</b>	<b>380,211</b>	-	-
Opening depreciation/ amortization	-82,379	-54,913	-	-
Depreciation for the year	-25,039	-25,737	-	-
Translation differences	12,739	-1,729	-	-
Closing accumulated depreciation/amortization	-94,679	-82,379	-	-
<b>Closing residual value</b>	<b>239,482</b>	<b>297,832</b>	-	-

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

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

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	239,496	230,047	78,960	75,474
Acquisitions	7,206	3,486	7,205	3,486
Reclassification	632	-	632	-
Translation differences	-19,444	5,963	-	-
<b>Closing accumulated cost</b>	<b>227,889</b>	<b>239,496</b>	<b>86,797</b>	<b>78,960</b>
Opening depreciation/ amortization	-108,179	-91,623	-66,662	-63,948
Depreciation for the year	-16,063	-15,685	-3,445	-2,714
Reclassification	-11	-	-10	-
Translation differences	6,420	-871	-	-
<b>Closing accumulated de- preciation/amortization</b>	<b>-117,833</b>	<b>-108,179</b>	<b>-70,117</b>	<b>-66,662</b>
<b>Closing residual value</b>	<b>110,057</b>	<b>131,317</b>	<b>16,680</b>	<b>12,298</b>

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

**Note 17. Goodwill**

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	316,202	304,561	-	-
Translation differences	-37,964	11,641	-	-
<b>Closing accumulated cost</b>	<b>278,238</b>	<b>316,202</b>	-	-

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

The largest component of goodwill, an amount of USD 33,642,000 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 2020 amounted to SEK 278.2 m. (316.2 m.). The year-on-year decrease 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 2021–2024. 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 6.21% for Americas. Capital costs and borrowing costs were weighted with a capital structure based on a group of comparable companies. Capital market data and data from comparable companies were used to determine capital costs and borrowing costs. There were no indications of impairment for the financial year.

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

### Note 18. Activated customer remuneration

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	9,822	-	9,822	-
Acquisitions	-	9,822	-	9,822
<b>Closing accumulated cost</b>	<b>9,822</b>	<b>9,822</b>	<b>9,822</b>	<b>9,822</b>
Opening depreciation/ amortization	-	-	-	-
Depreciation for the year	-3,274	-	-3,274	-
<b>Closing accumulated depreciation/amortization</b>	<b>-3,274</b>	<b>-</b>	<b>-3,274</b>	<b>-</b>
<b>Closing residual value</b>	<b>6,548</b>	<b>9,822</b>	<b>6,548</b>	<b>9,822</b>

### Note 19. Buildings and land

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	8,052	7,551	3,588	3,588
Acquisitions	-	353	-	-
Translation differences	-541	148	-	-
<b>Closing accumulated cost</b>	<b>7,511</b>	<b>8,052</b>	<b>3,588</b>	<b>3,588</b>
Opening depreciation/ amortization	-6,637	-5,547	-3,588	-3,248
Depreciation for the year	-342	-1,011	-	-340
Translation differences	407	-79	-	-
<b>Closing accumulated depreciation/amortization</b>	<b>-6,572</b>	<b>-6,637</b>	<b>-3,588</b>	<b>-3,588</b>
<b>Closing residual value</b>	<b>939</b>	<b>1,415</b>	<b>-</b>	<b>-</b>

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

### Note 20. Plant and machinery

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	40,430	38,750	-	-
Acquisitions	-	187	-	-
Reclassification	15,914	-	-	-
Disposals	-3,848	-	-	-
Translation differences	-6,229	1,493	-	-
<b>Closing accumulated cost</b>	<b>46,267</b>	<b>40,430</b>	<b>-</b>	<b>-</b>
Opening depreciation/ amortization	-29,038	-20,840	-	-
Depreciation for the year	-6,952	-7,506	-	-
Depreciation/amortization of disposed equipment	3,848	-	-	-
Translation differences	3,861	-692	-	-
<b>Closing accumulated depreciation/amortization</b>	<b>-28,281</b>	<b>-29,038</b>	<b>-</b>	<b>-</b>
<b>Closing residual value</b>	<b>17,986</b>	<b>11,392</b>	<b>-</b>	<b>-</b>

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

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	11,491	13,584	10,439	12,571
Acquisitions	1,097	779	495	778
Disposals	-363	-2,911	-363	-2,910
Reclassification	-632	-	-632	-
Translation differences	-194	39	-	-
<b>Closing accumulated cost</b>	<b>11,399</b>	<b>11,491</b>	<b>9,939</b>	<b>10,439</b>
Opening depreciation/ amortization	-8,533	-10,106	-8,157	-9,929
Depreciation for the year	-1,029	-1,301	-802	-1,104
Disposals	363	2,878	363	2,876
Reclassification	10	-	10	-
Translation differences	70	-4	-	-
<b>Closing accumulated depreciation/amortization</b>	<b>-9,119</b>	<b>-8,533</b>	<b>-8,586</b>	<b>-8,157</b>
<b>Closing residual value</b>	<b>2,280</b>	<b>2,958</b>	<b>1,353</b>	<b>2,282</b>

### Note 22. Work in progress

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	31,021	5,770	-	-
Acquisitions	28,939	25,413	-	-
Reclassification	-15,914	-	-	-
Translation differences	-5,193	-162	-	-
<b>Closing accumulated cost</b>	<b>38,853</b>	<b>31,021</b>	<b>-</b>	<b>-</b>

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

**Note 23. Participations in Group companies**

	2020	2019
Carrying amount	909,320	909,320

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

	Share of equity of votes	Share of votes	No. of shares	Carrying amount	Equity
Probi Asia-Pacific Pte. Ltd. 201537643C, Singapore	100%	100%	50,000	298	2,447
Probi Food AB 556354-1951, Lund	100%	100%	10,000	3,931	3,935
Probi Feed AB 556540-4364, Lund	100%	100%	1,000	100	100
Probi USA Inc 81-2766100, Delaware	100%	100%	100	904,991	857,043
Viva Pro LLC 83-2571399, Florida	49%	49%	1,000	0	0

**Note 24. Participations in other companies**

	Group		Parent Company	
	2020	2019	2020	2019
Opening cost	-	-	-	-
Acquisitions	53,032	-	53,032	-
<b>Closing residual value</b>	<b>53,032</b>	-	<b>53,032</b>	-

The investment was made in October 2020 and refers to participation in the American company Vital Nutrients Holdings, LLC, and entails an ownership of less than 10% of the shares.

**Note 25. Inventory**

	Group		Parent Company	
	2020	2019	2020	2019
Raw materials and consumables	29,180	34,248	-	-
Semi-finished products	55,522	28,780	-	-
Finished goods and consumables	13,694	16,469	7,961	8,503
<b>Total</b>	<b>98,396</b>	<b>79,497</b>	<b>7,961</b>	<b>8,503</b>

For inventory valuation principles, refer to Note 2.11.

**Note 26. Financial assets and liabilities**

	Group		Parent Company	
	2020	2019	2020	2019
<b>Financial assets</b>				
<b>Derivatives identified as hedging instruments</b>				
Currency forward contracts valued at fair value via the income statement	-	306	-	306
Currency forward contracts valued at fair value via other comprehensive income	-	307	-	307
<b>Financial assets valued at fair value via other comprehensive income</b>				
Shares in other companies	53,032	-	53,032	-
<b>Financial assets valued at accrued cost</b>				
Shares in Group companies	-	-	909,320	909,320
Accounts receivable	89,339	83,341	19,346	57,004
Cash and cash equivalents	215,552	206,960	137,893	113,395
<b>Total financial assets</b>	<b>357,923</b>	<b>290,914</b>	<b>1,119,591</b>	<b>1,080,332</b>

**Financial liabilities****Derivatives identified as hedging instruments**

Currency forward contracts valued at fair value via the income statement	-	27	-	27
Currency forward contracts valued at fair value via other comprehensive income	-	21	-	21

**Financial liabilities valued at accrued cost**

Liabilities to Group companies more than five years	-	-	4,035	4,035
Accounts payable	39,922	37,631	16,955	24,968
Current leasing liabilities	13,873	14,556	-	-
Long-term leasing liabilities (1-5 years)	28,916	41,036	-	-
Long-term leasing liabilities (> 5 years)	1,659	5,576	-	-
<b>Total financial liabilities</b>	<b>84,370</b>	<b>98,847</b>	<b>20,990</b>	<b>29,051</b>

Derivatives designated as hedging instruments reflect the positive measurement at fair value of currency forward contracts connected to hedges of cash flow forecasts in USD. The valuation is determined according to level 2 in the value hierarchy.

**Note 27. Accounts receivable**

Carrying amount corresponds to the fair value of accounts receivable.

**Group**

<b>Dec 31, 2020</b>	<b>Not overdue</b>	<b>Overdue &lt;30 days</b>	<b>Overdue 30-60 days</b>	<b>Overdue 61-90 days</b>	<b>Overdue &gt;90 days</b>	<b>Total</b>
Estimated not invoiced accounts receivable	-2,083	-	-	-	-	-2,083
Invoiced accounts receivable	86,896	2,464	1,560	1,043	25	91,987
Provision for doubtful accounts receivable	-85	-2	-452	-1	-25	-565
<b>Total accounts receivable</b>	<b>84,728</b>	<b>2,461</b>	<b>1,108</b>	<b>1,042</b>	<b>0</b>	<b>89,339</b>
Expected credit losses (%)	0.1%	0.1%	29.0%	0.1%	100.0%	0.6%

**Dec 31, 2019**

Estimated not invoiced accounts receivable	2,220	-	-	-	-	2,220
Invoiced accounts receivable	70,896	6,032	1,448	2,574	354	81,304
Provision for doubtful accounts receivable	-37	-6	-1	-3	-136	-183
<b>Total accounts receivable</b>	<b>73,079</b>	<b>6,026</b>	<b>1,447</b>	<b>2,571</b>	<b>218</b>	<b>83,341</b>
Expected credit losses (%)	0.1%	0.1%	0.1%	0.1%	38.4%	0.2%

**Parent Company**

<b>Dec 31, 2020</b>	<b>Not overdue</b>	<b>Overdue &lt;30 days</b>	<b>Overdue 30-60 days</b>	<b>Overdue 61-90 days</b>	<b>Overdue &gt;90 days</b>	<b>Total</b>
Estimated not invoiced accounts receivable	314	-	-	-	-	314
Invoiced accounts receivable	18,434	559	11	47	-	19,051
Provision for doubtful accounts receivable	-19	-1	0	0	-	-20
<b>Total accounts receivable</b>	<b>18,729</b>	<b>558</b>	<b>11</b>	<b>47</b>	<b>-</b>	<b>19,345</b>
Expected credit losses (%)	0.1%	0.1%	0.1%	0.1%	-	0.1%

**Dec 31, 2019**

Estimated not invoiced accounts receivable	2,220	-	-	-	-	2,220
Invoiced accounts receivable	49,157	4,611	361	483	335	54,947
Provision for doubtful accounts receivable	-37	-6	-1	-2	-117	-163
<b>Total accounts receivable</b>	<b>51,340</b>	<b>4,605</b>	<b>360</b>	<b>481</b>	<b>218</b>	<b>57,004</b>
Expected credit losses (%)	0.1%	0.1%	0.3%	0.4%	34.9%	0.3%

**CHANGES IN PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE**

	<b>Group</b>		<b>Parent Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Opening provision for doubtful accounts receivable</b>	<b>182</b>	<b>593</b>	<b>163</b>	<b>57</b>
New provisions and increase of existing provisions	633	163	20	163
Amounts claimed	-	-57	-	-57
Unutilized amounts reversed	-182	-549	-163	-
Currency effects	-68	33	-	-
<b>Closing provision for doubtful accounts receivable</b>	<b>565</b>	<b>183</b>	<b>20</b>	<b>163</b>

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

	Group		Parent Company	
	2020	2019	2020	2019
Prepaid rent	50	-	1,155	1,103
Insurance premiums	1,130	1,500	309	455
Prepaid sales and marketing costs	398	754	361	726
IT costs	998	961	796	800
Other items	1,164	742	1,030	670
<b>Total</b>	<b>3,740</b>	<b>3,957</b>	<b>3,651</b>	<b>3,754</b>

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

	Group		Parent Company	
	2020	2019	2020	2019
Accrued holiday pay including social security contributions	9,238	7,109	3,285	2,379
Accrued production costs	2,293	261	-	226
Accrued administration and sales costs	1,583	2,134	375	1,833
Accrued variable remuneration to employees	13,337	4,837	9,328	2,630
Other items	1,338	1,031	30	97
<b>Total</b>	<b>27,789</b>	<b>15,372</b>	<b>13,018</b>	<b>7,165</b>

**Note 30. Hedge accounting**

	Group		Parent Company	
	2020	2019	2020	2019
Opening changes in value	566	208	566	208
Realized hedging instruments	-566	-208	-566	-208
Acquisitions	-	566	-	566
<b>Closing changes in value</b>	<b>-</b>	<b>566</b>	<b>-</b>	<b>566</b>

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

	Group		Parent Company	
	2020	2019	2020	2019
Chattel mortgages	800	800	800	800
Bank guarantee, Swedish Customs	268	268	268	268
<b>Total pledged assets</b>	<b>1,068</b>	<b>1,068</b>	<b>1,068</b>	<b>1,068</b>

The company has no contingent liabilities.

**Note 32. Related-party transactions**

Related-party transactions recognized in the statement of comprehensive income

	Group		Parent Company	
	2020	2019	2020	2019
Symrise (largest shareholder)	4,428	124	49	-
Symrise (largest shareholder)	-1	-154	-1	-85
Probiotic Consulting LLC, related party: Scott Bush (board member)	-	-45	-	-45

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

**Note 33. Events after the balance sheet date**

No significant events occurred after the balance sheet date.

# Five-year summary

<b>Income statement (KSEK)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Net sales</b>	<b>717,165</b>	<b>626,192</b>	<b>604,117</b>	<b>612,244</b>	<b>443,475</b>
Cost of goods sold	-407,208	-334,546	-326,087	-334,321	-172,990
<b>Gross profit</b>	<b>309,957</b>	<b>291,646</b>	<b>278,030</b>	<b>277,923</b>	<b>270,485</b>
Sales and marketing expenses	-95,780	-105,113	-91,854	-79,899	-54,773
Research and development expenses	-36,347	-31,046	-32,728	-36,606	-47,930
Administrative expenses	-54,525	-45,989	-54,700	-58,554	-48,036
Other operating income/expenses	376	2,044	2,368	1,223	219
<b>Operating profit/EBIT</b>	<b>123,681</b>	<b>111,542</b>	<b>101,116</b>	<b>104,087</b>	<b>119,965</b>
Financial result	-3,594	-2,019	-2,556	-11,762	6,718
<b>Earnings before income taxes</b>	<b>120,087</b>	<b>109,523</b>	<b>98,560</b>	<b>92,325</b>	<b>126,683</b>
Income taxes	-27,394	-23,636	-22,310	-23,233	-24,836
<b>Net income</b>	<b>92,693</b>	<b>85,887</b>	<b>76,250</b>	<b>69,092</b>	<b>101,847</b>

<b>Balance sheet (KSEK)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Intangible assets	673,945	797,948	798,456	767,690	868,160
Tangible assets	103,076	107,320	29,162	34,389	41,490
Financial assets	53,060	6,008	1,530	4,621	8,478
Current assets	194,260	171,372	180,983	148,487	188,691
Cash and cash equivalents	215,552	206,960	199,299	155,547	103,136
<b>Total assets</b>	<b>1,239,893</b>	<b>1,289,608</b>	<b>1,209,430</b>	<b>1,110,734</b>	<b>1,209,955</b>
Equity	1,115,203	1,152,126	1,028,398	884,736	892,067
Provisions	3,906	-	-	-	-
Non-current liabilities	34,874	51,564	6,772	5,781	5,796
Current liabilities	85,910	85,918	174,260	220,217	312,092
<b>Total equity and liabilities</b>	<b>1,239,893</b>	<b>1,289,608</b>	<b>1,209,430</b>	<b>1,110,734</b>	<b>1,209,955</b>

<b>Cash flow statement (KSEK)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Cash flow from operating activities</b>					
<b>before working capital changes</b>	<b>197,916</b>	<b>183,334</b>	<b>159,849</b>	<b>181,632</b>	<b>134,795</b>
Working capital changes	-54,552	-9,723	-31,983	-35,944	-45,010
<b>Cash flow from operating activities</b>	<b>143,364</b>	<b>173,611</b>	<b>127,866</b>	<b>145,688</b>	<b>89,785</b>
Cash flow from investing activities	-96,402	-35,117	-14,039	-26,263	-930,052
Cash flow from financing activities	-27,687	-133,014	-74,113	-48,045	800,185
<b>Net change in cash and cash equivalents</b>	<b>19,275</b>	<b>5,480</b>	<b>39,714</b>	<b>71,380</b>	<b>-40,082</b>
Effects of changes in exchange rates	-10,683	2,181	4,038	-18,969	194
<b>Total changes</b>	<b>8,592</b>	<b>7,661</b>	<b>43,752</b>	<b>52,411</b>	<b>-39,888</b>

Cash and cash equivalents at 1 January	206,960	199,299	155,547	103,136	143,024
Cash and cash equivalents at 31 December	215,552	206,960	199,299	155,547	103,136

<b>Key figures</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Gross margin, %	43.2%	46.6%	46.0%	45.4%	61.0%
EBITDA, MSEK	196.5	183.4	154.9	157.3	152.6
EBITDA excl effect from IFRS 16, MSEK	181.6	168.7	154.9	157.3	152.6
EBITDA margin, %	27.4%	29.3%	25.6%	25.7%	34.4%
EBITDA margin excl effect from IFRS 16, %	25.3%	26.9%	25.6%	25.7%	34.4%
Average number of employees	170	165	163	182	74

<b>Share data</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Earnings per share before and after dilution, SEK	8.14	7.54	6.69	6.06	10.73
Share price on closing day, SEK	422.00	222.00	360.00	340.00	475.50
Market capitalisation on closing day, MSEK	4,808	2,529	4,102	3,874	5,418
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	9,495,104

For definitions of key ratios, refer to page 77-79.

# 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:*

	2020	2019	2018	2017	2016
Net sales	717,165	626,192	604,117	612,244	443,475
Currency effects	-14,551	-21,280	-13,614	843	-5,067
<b>Net sales adjusted for currency effects</b>	<b>731,716</b>	<b>604,912</b>	<b>590,503</b>	<b>613,087</b>	<b>438,408</b>

## Gross margin

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

*Calculated as gross profit divided by net sales:*

	2020	2019	2018	2017	2016
Gross profit	309,957	291,646	278,030	277,923	270,485
Net sales	717,165	626,192	604,117	612,244	443,475
<b>Gross margin</b>	<b>43.2%</b>	<b>46.6%</b>	<b>46.0%</b>	<b>45.4%</b>	<b>61.0%</b>

## Operating profit/EBIT

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

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

	2020	2019	2018	2017	2016
Net income	92,693	85,887	76,250	69,092	101,847
Financial result	3,594	2,019	2,556	11,762	-6,718
Income taxes	27,394	23,636	22,310	23,233	24,836
<b>Operating profit/EBIT</b>	<b>123,681</b>	<b>111,542</b>	<b>101,116</b>	<b>104,087</b>	<b>119,965</b>

**Operating margin**

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

*Calculated as operating profit divided by net sales:*

	2020	2019	2018	2017	2016
Operating profit/EBIT	123,681	111,542	101,116	104,087	119,965
Net income	717,165	626,192	604,117	612,244	443,475
<b>Operating margin</b>	<b>17.2%</b>	<b>17.8%</b>	<b>16.7%</b>	<b>17.0%</b>	<b>27.1%</b>

**EBITDA**

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

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

	2020	2019	2018	2017	2016
Operating profit/EBIT	123,681	111,542	101,116	104,087	119,965
Amortisation, depreciation and impairment	72,780	71,891	53,821	53,231	32,603
<b>EBITDA</b>	<b>196,461</b>	<b>183,433</b>	<b>154,937</b>	<b>157,318</b>	<b>152,568</b>

**EBITDA excluding effect from IFRS 16**

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

*Calculated as EBITDA less effects from IFRS 16:*

	2020	2019	2018	2017	2016
EBITDA	196,461	183,433	154,937	157,318	152,568
Effects from IFRS 16	-14,836	-14,691	-	-	-
<b>EBITDA excluding effect from IFRS 16</b>	<b>181,625</b>	<b>168,742</b>	<b>154,937</b>	<b>157,318</b>	<b>152,568</b>



**EBITDA margin**

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

*Calculated as EBITDA divided by net sales:*

	2020	2019	2018	2017	2016
EBITDA	196,461	183,433	154,937	157,318	152,568
Net income	717,165	626,192	604,117	612,244	443,475
<b>EBITDA margin</b>	<b>27.4%</b>	<b>29.3%</b>	<b>25.6%</b>	<b>25.7%</b>	<b>34.4%</b>

**EBITDA margin excluding effect from IFRS 16**

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

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

	2020	2019	2018	2017	2016
EBITDA excluding effect from IFRS 16	181,625	168,742	154,937	157,318	152,568
Net income	717,165	626,192	604,117	612,244	443,475
<b>EBITDA margin excluding effect from IFRS 16</b>	<b>25.3%</b>	<b>26.9%</b>	<b>25.6%</b>	<b>25.7%</b>	<b>34.4%</b>

**Market capitalisation on the closing date**

Market capitalisation 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 capitalisation at the end of the period.

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

	2020	2019	2018	2017	2016
Share price at the end of the period	422.0	222.00	360.00	340.00	475.50
Number of outstanding shares	11,394,125	11,394,125	11,394,125	11,394,125	11,394,125
<b>Market cap on closing date, MSEK</b>	<b>4,808</b>	<b>2,529</b>	<b>4,102</b>	<b>3,874</b>	<b>5,418</b>

# Signatures for the annual report

The Annual Report and consolidated financial statements were approved for issuance by the Board on 25 March 2021. 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 7 May 2021 for adoption.

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

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

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

The annual report also contains the statutory sustainability report in accordance with the requirements of the Annual Accounts Act and can be found on pages 34-39.

Lund, 25 March 2021

Jean-Yves Parisot  
*Chairman of the Board*

Jörn Andreas  
*Board member*

Charlotte Hansson  
*Board member*

Irène Corthésy Malnoë  
*Board member*

Malin Ruijsenaars  
*Board member*

Tom Rönnlund  
CEO

Our audit report was submitted on 30 March 2021  
Ernst & Young AB

Peter Gunnarsson  
*Authorised 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 50-52 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 44-79 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 2020 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 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 50-52. 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 39,6 MSEK in the consolidated statement of financial position and in the financial statement of the parent company per 31 December 2020. Development costs are recognized as assets from the date on which it is deemed that the project or activity to which they relate will lead to a technically and commercially viable product or lead in some other way to future economic benefit for the company. Capitalized development costs are subject to continuous depreciation. On a regular basis the company tests if events or changes in conditions indicate any impairment requirement. Impairment testing for projects are made through calculation of net present value of future cash flows. Projects lacking estimated future economic benefits are impaired. Forecasted future cashflows are based on assumptions of future revenues.

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

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

#### How our audit addressed this key audit matter

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

**Other intangible assets and shares in group companies****Description**

Other intangible assets such as customer relations, technologies and goodwill amount to 627,8 MSEK in the consolidated statement of financial position and shares in subsidiaries amounts to 909,3 MSEK in the financial statement of the parent company per 31 December 2020. 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.

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

**How our audit addressed this key audit matter**

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

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

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-42 and 84-88. The remuneration report for the financial year 2020 also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

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

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 respon-

sible 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

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Probi AB (publ) for the year 2020 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 corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 50-52 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 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 13 May 2020 and has been the company's auditor since the 2 May 2018.

Malmö, 30 mars 2021  
Ernst & Young AB

Peter Gunnarsson  
Authorized Public Accountant

# Board of directors



**Jean-Yves Parisot**

Chairman of the Board

**Born:** 1964.

**Education:** Bachelor of Economics and Veterinary Science.

**Background:** Chairman of the Board since 2015. CEO of Flavor and Nutrition, a division of Symrise. Previous leadership roles at Air Liquide, Danisco, Rhodia, Rhône-Poulenc, Merial and Pfizer.

**Other Board assignments:** Chairman of the board of VetAgroSup.

**Shares in the company:** –

**Independent in relation to the company:** Yes

**Independent in relation to major shareholders:** No



**Jörn Andreas**

Board member

**Born:** 1980.

**Education:** PhD in economics, Karlsruhe Institute of Technology (KIT), Karlsruhe.

**Background:** Board member since 2019. CEO of Cosmetic Ingredients, a division of Symrise. Jörn has experience from both a previous assignment as board member (2014-2016) at Probi and his position as CFO of the company. He has extensive international experience working at Symrise in France and USA in different finance and general management roles. Jörn 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 Orio AB and Link Top Holding A/S, member of the boards of Bergman & Beving AB, DistIT AB, Green Cargo AB, Senergia Nordic AB and Stena Trade & Industri AB.

**Holdings in the company:** 500 shares

**Independent in relation to the company:** Yes

**Independent in relation to major shareholders:** Yes



**Irène Corthésy  
Malnoë**

Board member

**Born:** 1958.

**Education:** Doctor of Molecular Biology, University of Lausanne, and Master of Technology Enterprise, IMD Business School.

**Background:** Board member since 2018. Senior consultant and partner at Skyviews Life Science. 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:** –

**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 Berkeley, Master of European Studies from Brygge.

**Background:** Board member since 2020. Head of talent management and company development at Grenspecialisten AB. More than 20 years of international experience in HR, business management, corporate governance, growth, strategy, CSR, establishment in new markets and communication.

**Other board assignments:** Lime Technologies AB, IDL Biotech AB, Tretton37 AB.

**Holdings in the company:** –

**Independent in relation to the company:** Yes

**Independent in relation to major shareholders:** Yes

# Senior Management



**Tom Rönnlund**

CEO

**Born:** 1972.

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

**Background:** Tom Rönnlund was made CEO in 2019. He most recently served as CEO of Navamedic ASA, a Norwegian listed company operating in the pharmaceutical and medical technology sectors. He has more than 20 years of experience in the healthcare industry and has previously held a variety of positions in sales, marketing and management at IQVIA (formerly IMS Health) as well as at international pharmaceutical companies such as Bristol-Myers Squibb and Eli Lilly.

**Holdings in the company:** 1,400 shares



**Henrik Lundkvist**

CFO

**Born:** 1977.

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

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

**Holdings in the company:** 150 shares



**Peter Dybdahl Hede**

VP R&D

**Born:** 1979.

**Education:** M.Sc. Chemical Engineering, Technical University Denmark; PhD Biochemical Engineering, Technical University Denmark; HD Finance, Copenhagen Business School

**Background:** Peter Dybdahl Hede was made Vice President R&D in September 2020. He has previously held various executive and development positions at Novozymes, BASF Health & Nutrition and Lundbeck. He has broad R&D experience in the areas of biotech, pharmaceuticals and human nutrition, including close connections with start-up environments at Nordic universities.

**Holdings in the company:** –





### Shane Judge

VP Global Sales & Marketing

**Born:** 1968.

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

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

**Holdings in the company:** –



### Basudha Bhattarai-Johansson

VP HR

**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:** –



### Andy McShea

VP Operations

**Born:** 1970.

**Education:** B.Sc. Cell Biology and Immunology, PhD Bioengineering.

**Background:** Andy McShea joined the Probi team in 2018 as Vice President Operations. He most recently worked for a Houston-based private-equity fund where he was responsible for the portfolio companies' operations in food, regenerative medicine and medical technology. Prior to that he was VP Biology & Chemistry at CombiMatrix Corp and Chief Operating Officer at Theo Chocolate. He has also previously worked in research at companies including Novartis and Bristol Myers Squibb.

**Holdings in the company:** –

# Annual General Meeting

The Annual General Meeting (AGM) will be held Friday, May 7, 2021.

In light of the ongoing coronavirus pandemic and in order to minimize the risk of spreading the virus, the board has decided that the AGM will be conducted via mail-in voting only, on the basis of temporary rules. This means that the AGM will be held without the physical presence of shareholders, proxies or external parties and that shareholders' voting rights can only be exercised through mail-in voting.

## Right to participate

Shareholders who wish to participate in the Annual General Meeting by postal vote shall be registered as a shareholder in the share register kept by Euroclear Sweden AB on Thursday April 29 2021, and have announced their participation no later than Thursday 6 May 2021 by casting their postal vote so that the postal vote is provided Probi AB, according to instructions in the notice, no later than the same day. Please note that registration for the AGM can only take place through mail-in voting. A specific form must be used for this. The form will be available from Probi's website [www.probi.com](http://www.probi.com) when the Annual General Meeting is announced publicly. The voting form is considered registration for the AGM.

## Nominee-registered shares

Shareholders whose shares are nominee registered must, in addition to registering by submitting their mail-in votes, have their shares registered in their own name so that the shareholder is listed in the stock register on Thursday, April 29, 2021. Such registration can be temporary and should be requested of the nominee in accordance with the nominee's routines and at such time that the nominee determines. Such share registrations completed no later than Monday, May 3, 2021, will be taken into account in the preparation of the stock register.

## Proxy

If shareholders vote by mail via a proxy, a written and dated form of proxy signed by the shareholder must be attached to the voting form. The form of proxy will be available from Probi's website [www.probi.com](http://www.probi.com) when the Annual General Meeting is announced publicly. If the shareholder is a legal person, a registration certificate or other authorization document must be attached to the voting form.

Further instructions will be provided in the call to the AGM.

## Financial calendar

<b>Interim report Q1, 2021</b>	April 23, 2021
<b>AGM for 2020</b>	May 7, 2021
<b>Interim report Q2, 2021</b>	July 26, 2021
<b>Interim report Q3, 2021</b>	October 22, 2021
<b>Year-end report 2021</b>	February 2, 2022

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

Production: Korp Kommunikation AB  
Print: TMG Sthlm AB  
Photo: Peter Westrup

This year's Annual Report is printed  
on Svanen labelled, climate  
compensated paper made from pulp  
from sustainable forestry.





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