

ANNUAL REPORT

2020

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consumer focus –
the way forward

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investment in educa-
tion with new digital
platform

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launched in Sweden

“When we started BioGaia more than 20 years ago, our motto was ‘do good and have fun.’ This attitude as our guiding light we have built a world-leading probiotics company with a focus on microbiome research with safe and effective consumer-friendly products on the market.”

PETER ROTHSCHILD, FOUNDER

BioGaia[®]
Probiotics grounded in evolution
Driven by science

an 30 years ago,
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y at the forefront
e, effective and
the market.”





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BioGaia's 2020 Sustainability Report is a separate report prepared according to the requirements for sustainability reporting in the Swedish Annual Accounts Act. This Annual Report includes a summary of the Sustainability Report, see pages 42-46 and 52-53 (business risks and uncertainties).

This is a translation of the Swedish version of the Annual Report. In the event of differences, the Swedish version shall prevail.

Annual General Meeting 6 May 2021. Due to the coronavirus, BioGaia's Board has decided that the Annual General Meeting will be held without the physical presence of shareholders, proxies and third parties and that shareholders will only be able to exercise their voting rights through postal voting prior to the meeting.

KEY EVENTS 2020

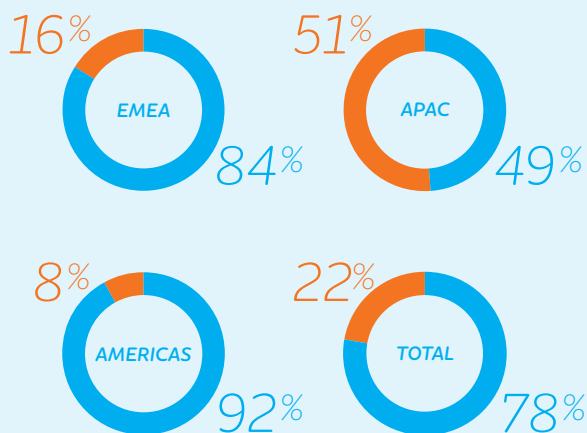


- 1**
 - BioGaia signs exclusive agreement with the company Ethical Nutrition for sales of BioGaia Protectis drops and tablets in Argentina
 - Study published showing that BioGaia's probiotic for oral health *L. reuteri* Prodentis, reduces bleeding of the gums
- 2**
 - BioGaia's Board revises its dividend proposal
- 3**
 - Study published showing that *L. reuteri* Protectis reduces pain in children with functional abdominal pain (FAP).
 - BioGaia's Board withdraws its proposal regarding an extra dividend
- 4**
 - BioGaia carries out a directed new share issue of 2.86 million class B shares, raising proceeds for the company of SEK 1.1 billion
 - BioGaia warns of reduced sales due to Covid-19

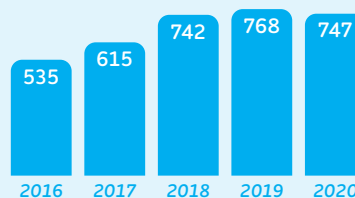
KEY FIGURES

Sales by market and segment

● Paediatrics ● Adult Health

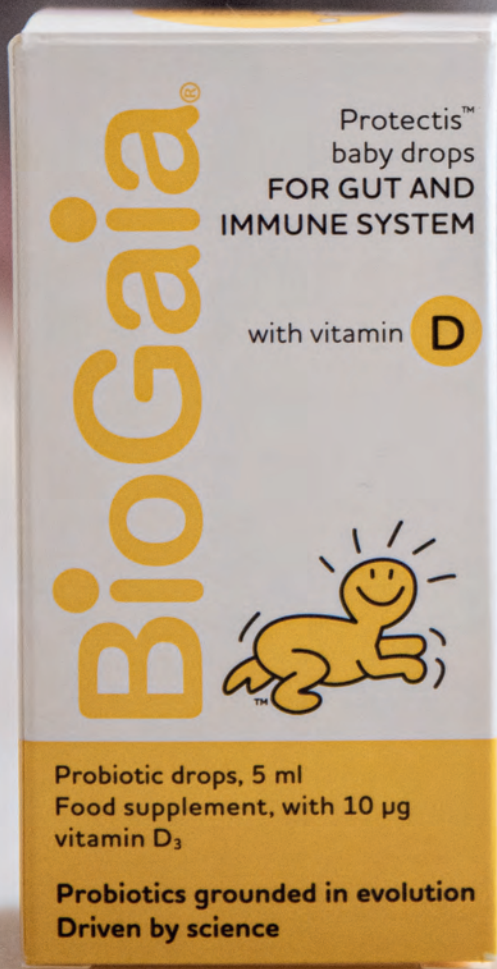


Annual sales past 5 years (SEKm)



Proportion own brand and co-branding





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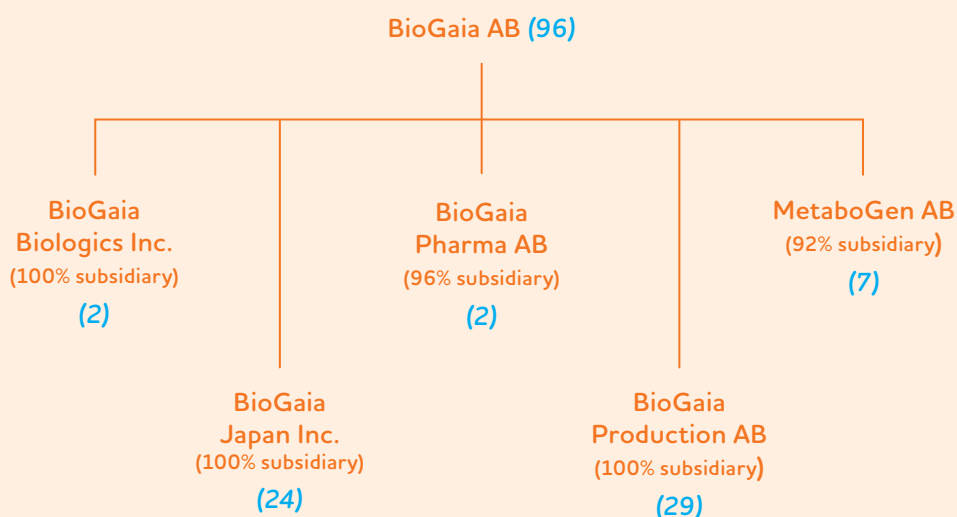
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BIOGAI A GROUP (number of employees December 2020)

GROUP (160)



COMPANY PRESENTATION

▷ **Mission**

BioGaia's mission is to be the ground-breaking leader in probiotics and contribute to improved health by educating people and providing probiotic products for defined indications.

▷ **Positioning**

Food supplements with clinically-tested, high-quality probiotics that are sold through pharmacies and via online retail platforms. In most markets the products are recommended by doctors or other healthcare professionals. However, BioGaia is also meeting rising demand directly from consumers.

▷ **Values**

Innovation Collaboration Passion

▷ **Parent Company BioGaia AB's class B shares**

are listed on the Mid Cap segment of the Nasdaq OMX Nordic Stockholm Exchange.

DIGITALISATION MAJOR POTENTIAL FOR BIOGAIA

The probiotics market is changing fast. Consolidation of a fairly fragmented market is taking place and the major players are actively acquiring small probiotic companies with promising products. A number of new, major companies such as Kerry, ADM and Novozymes have entered the extremely hot probiotics market.

BioGaia has so far grown organically with great success. We are optimistic and believe we can continue to grow at a fast pace but we have also decided to try to participate in the ongoing consolidation in our own way. In order to improve our opportunities for a successful acquisition strategy, through a directed new share issue we invited in two very strong companies each of which can help to strengthen BioGaia in the prevailing new market situation.

Cargill, one of the largest private companies in the USA, is one of these companies with which we have been working for a while now to develop new products. EQT Public Value Fund is the second company. A highly reputed and very financially strong global investment organisation, EQT can contribute with both capital and skills related to acquisitions as well as an international and very knowledgeable contact network. As well as contributing with capital, Cargill can also provide considerable industrial knowhow. The new issue brought in approximately SEK 1.1 billion and puts us in a financial situation that permits significant acquisitions.

So, what are we looking for? We can consider acquisitions along the entire value chain – from manufacture to distribution – with the requirement that they provide better control, growth or profitability.

The extremely strong digitalisation trend that has been underway for some years gained enormous power in 2020, due to Covid-19. We have adapted to this megatrend in many markets. Especially in the really large ones such as China and the USA but also in countries such as South Korea and Vietnam. We plan to accelerate our own and our distributors' expertise in selling directly to consumers. This is a very exciting development which may require us to make acquisitions to


complement the skills we already have in this area.

I am convinced that online retail and digitalisation offer significant potential for BioGaia's existing and future products. With digitalisation, but also growing consumer interest in health products, BioGaia's brand will become even more significant and we are now considerably strengthening our marketing capacity in terms of people and resources. BioGaia's brand is global and has a better spread than all our competitors, large and small. The brand is an excellent tool in the fierce competition for consumer attention not just specifically from other probiotics companies but also from other companies in the health segment.

As announced in our press release, we have started a new business, BioGaia Invest, whose mission is to make minority investments in small companies that can support BioGaia's sales growth. We have therefore invested in a diagnostics company which we believe will help us to grow in the bone health segment and in another company that works with the skin microbiome, where we see a number of opportunities for collaboration which can boost our growth rate over time. We are interested in increasing our investments in companies of this type with the aim of creating a favourable ecosystem for BioGaia with innovative and sustainable companies.

At our 2020 Annual General Meeting, two new Board members were elected, with skills within digitalisation and sustainability. These are important given how fast the new technology is developing and the demands that aware consumers are making on products and services.

BioGaia's products have a very attractive profile since they make a strong contribution to global health (one of the UN's global goals) and we continue to invest in research and development in order to solve health problems for people all over the world.



Peter Rothschild,
Chairman BioGaia



BIOGAIA UPS THE PACE – WITH THE CONSUMER IN FOCUS

2020 was a different year. For many, both people and companies, it was of course a difficult year but there are also many positive aspects worth highlighting. Above all, there are many lessons to learn and by taking these onboard and adapting our business accordingly, I am convinced that they will strengthen us as a company over time.

Like many other organisations, we succeeded in a short time in adjusting our operations to function almost entirely digitally, both internally and in collaboration with our customers. Among other things, together with our partners we arranged some 70 webinars for doctors and held a large number of digital customer meetings. We also succeeded with some 50 product launches with most of the launch symposia and other arrangements taking place virtually. I would like to especially mention our continued rollout of Osfortis, our product for bone health, which in addition to the USA now also is available in Sweden, Switzerland and very soon in Japan. Furthermore, BioGaia Gastrus has been launched in a large number of markets, primarily in Latin America. We have also strengthened our oral health portfolio with two new products, Prodentis Mum and Prodentis Kids, which were launched in Japan and the USA during the year.

Sales in 2020 got off to a strong start with growth in line with expectations and, despite the Covid-19 crisis starting seriously back in March, we had a sales growth of 7% in the first quarter. In the second quarter, growth was 10%. However, in the third quarter we could see that the pandemic was starting to have a negative impact on our sales and the full year ended with a 3% decrease. What we mainly saw was weak sales in some of our largest and oldest markets, such as Italy and Spain. Here, lengthy lockdowns affected BioGaia's sales since consumers could not visit doctors and physical pharmacies where most of the sales in these countries take place. On the other hand, we saw good sales in countries where we have implemented an omnichannel strategy, such as the USA and China.

So one of the most important lessons comes from consumers. Lockdowns and restrictions on physical meetings led people to investigate digital alternatives. A growing number started to buy online. This transition and the results of changed buyer behaviour took place at a rate never seen before and has in many cases become 'the new normal'. This strengthens us in our conviction that we need to invest more in marketing directly to consumers in many of our markets.

In parallel with this changed buying behaviour there is a global trend towards preventive healthcare. The pandemic has further

strengthened this and people are increasing taking responsibility for their own health. Above all, we can see a strong increase in interest in the immune system and products that strengthen it. At the same time as we invest in both physical and online sales channels, we are also working with our partners to develop new products to strengthen BioGaia's global brand and meet consumer needs. In the spring we are looking forward, among other things, to launching a totally new product portfolio in the USA with a focus on immune-strengthening products.

BioGaia's focus on research is part of our DNA and one of our key competitive advantages. In terms of research, however, 2020 was for understandable reasons a tough year since many studies were delayed due to the pandemic. In 2021 on the other hand we look forward to the results from studies within several interesting areas, relating to both existing and totally new applications, including IBS, diverticulitis and upper respiratory tract infections.

In 2020, we took many decisive steps forward in our sustainability initiatives and the aim is to integrate this into operations at all levels. Among other things we implemented an internal Code of Conduct, a whistleblower function and all employees attended training in anti-corruption. The phase-out of palm oil continued and products free from milk protein, gluten and lactose were launched, as well as vegan capsules.

In a year such as this it was natural for us to expand our community engagement. Among other things we supported a local restaurant by purchasing meals that were then donated to the Karolinska Hospital and we donated hand disinfectant to the local hospital in Lund. We also supported the Panzi Hospital, run by Nobel peace laureate Doctor Mukwege, with Covid tests. Read more about our sustainability work on page 42 and in BioGaia's first separate sustainability report, prepared in accordance with the Global Reporting Initiative Standards for sustainability reporting.

Finally, I would like to thank all BioGaia's employees, our customers and other partners, for your patience and hard work in these difficult and challenging times, which enabled the successful implementation of our plans. I do hope that 2021 will be a year in which the world gradually returns to normal.



Isabelle Ducellier,
CEO BioGaia





*Sara Malcus, Managing
Director MetaboGen*

MetaboGen's research focuses on the microbiome and finding unique opportunities that can be developed into the next generation of probiotic products.

The bacterial strains we mostly work with right now are anaerobic, which means they are sensitive to oxygen. This makes them very difficult to handle and we have therefore had to develop a production technology that allows the bacteria to survive both during the manufacturing process and in a commercial product. This technology is patented by MetaboGen and is unique.

One of the research areas where MetaboGen has made the greatest progress is within metabolic disease. Here we already have a product in a clinical phase. A safety study on healthy volunteers was carried out with good results last year and we are now preparing to begin efficacy studies, which we are looking forward to starting during 2021.

In the previous year, we also worked with scaling up our processes with regard to both technical capacity and expertise. This work will be implemented in 2021. On the capacity side this includes relocating to larger and more specially equipped premises where we will be able

to both conduct tests and produce on a larger scale than today.

We have also strengthened our team with new employees. MetaboGen is still a small company but since we work internationally – and global interaction is increasing all the time – we have placed great emphasis, in addition to looking for skills, to also actively recruit people from a diversity perspective in terms of age, gender and nationality. We are currently seven employees, four women and three men, with five different nationalities. All employees have a scientific and laboratory background but different key skills, within microbiology, bioinformatics, chemistry and clinical product development.

We have made good progress since MetaboGen was founded in 2011. At that time we were pioneers within an area that is today a hot field of research worldwide. Despite this, we are only starting to completely understand the microbiota and how our gut bacteria can contribute to health.

I look forward to yet another exciting year where MetaboGen takes decisive steps forward towards the development of the next generation of probiotic products.



*Peter Persson, Managing
Director BioGaia Production*

BioGaia Production is critical for BioGaia's operations. A large proportion of our most important product, drops, is manufactured here.

This is why in response to Covid-19 we quickly took a number of measures to ensure production, product quality and employee safety. These included extended hygiene and cleaning routines and we introduced both a ban on visitors to the plant and a strict quarantine policy. Face masks were also mandatory for employees. At the slightest sign of symptoms, or if a family member was at risk of becoming infected, the employee was not allowed to come into work. This led to a shortage of staff which was a challenge from time to time. Thanks to our flexible and loyal employees, however, we managed to keep production going and I am proud to say that throughout 2020 we produced and delivered entirely according to plan.

During the past year, we installed three new production lines – new machines

for BioGaia Protectis minipack, a totally new line the manufacture of tablets in bottles and a capsule filler. Even during a 'normal' year the installation of new equipment and training employees in its use puts some strain on the business. During a year in which we also needed to separate the external installation team from our own employees, the challenges were even greater. We solved this by giving the installers their own entrance and coffee room.

One challenge has been keeping employees motivated since these adjustments were very trying for them. Although we will probably have to keep our extraordinary routines for a while longer, I am glad the year is over. Now I look forward to an exciting 2021 in the spirit of expansion.



Keitaro Nomura, Managing Director BioGaia Japan

The Covid-19 pandemic had a very big impact on the Japanese economy. The number of patient visits to clinics and hospitals decreased sharply and fell to approximately 50% in July 2020 compared to the previous year.

The decline in visits to dental clinics, which are an important sales channel for BioGaia Japan, was even greater – falling in some months to 40% below the levels in corresponding periods of 2019. Conducting operations under such conditions was extremely difficult. These circumstances naturally also had an effect on our major customers since their businesses declined significantly.

By the end of the year, however, we had managed to turn sales around to levels comparable to the year before and BioGaia Japan posted a profit in 2020. This was made possible due to significant contributions from our sales network who work directly with dental clinics. In the past five years we have marketed our products under the BioGaia brand directly to dental clinics. Thanks to the products' excellent clinical results, we have succeeded in building a strong brand in the Japanese market and this

has greatly contributed to growth in this sales channel.

Starting in 2021 we will focus on further strengthening our direct sales network since this is more resistant against recessions and other difficult situations. We will also make even more efforts to be a model for sustainable growth and a profit-driven structure within the BioGaia Group.



Nigel Titford, Managing Director BioGaia Pharma

BioGaia Pharma is a subsidiary of BioGaia. This means we can benefit from 30 years' experience of research within the microbiota when we develop the biological product category which the FDA in the USA calls Live Biotherapeutic Products, which refers to pharmaceutical products that stem from the microbiota.

Potential product candidates are selected early in the discovery or pre-clinical phase and the requirement is that they have a potential effect in well-defined medical indications. Most candidates come from BioGaia's own research and bank of probiotic strains or are licensed in. Through BioGaia Pharma's established network of doctors and researchers, the products are developed up to and including the early clinical development phase. Subsequently, the project can be licensed out for further development by or in partnership with pharmaceutical or similar companies.

During 2020 we worked with two projects, both with candidates in a development phase. One product candidate

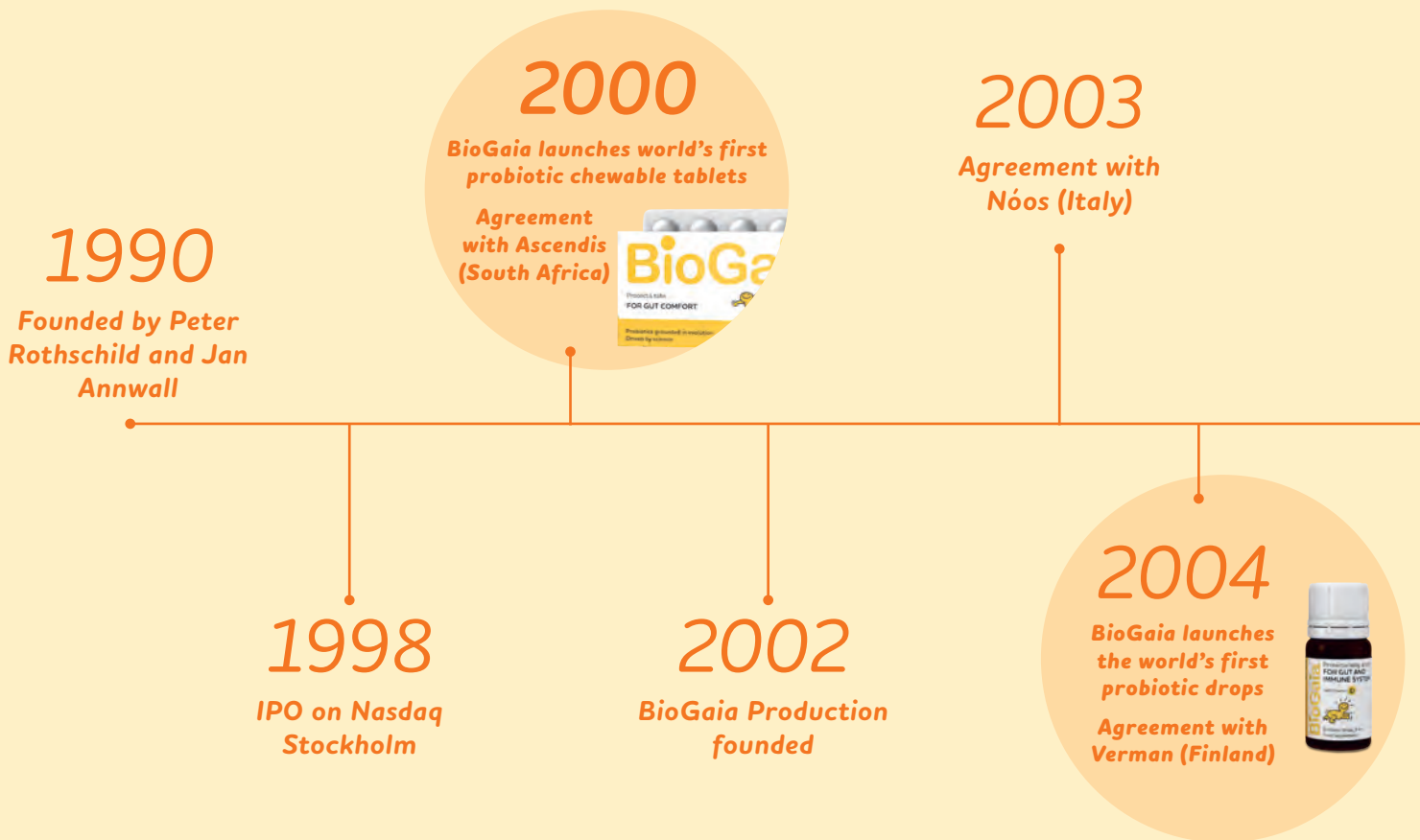
has potential for use in mild to moderate ulcerous colic, which is one of the diseases included under the designation inflammatory bowel disease (IBD). A lot of research is taking place into IBD and even though the cause has not yet been fully identified, there are many indications that the interaction between the microbiota, inflammation and the so-called 'leaky gut' are highly significant.

The second product candidate is intended to be used in specific motility disorders in the intestine that cause constipation and where today's solutions are not optimal.

We have mainly focused on developing study products for these two product candidates. In parallel we have also completed trial applications for two clinical studies. Study centres have been chosen and contracted and the studies are planned to start in 2021.

2021 will be an exciting year in which I look forward to being able to provide additional information about both the product candidates and the clinical studies.

BIOGAIA 30



BioGaia is a Swedish world-leading probiotic company that has been at the forefront of microbiome research for more than 30 years. BioGaia develops, markets and sells probiotic products with documented health benefits. The company operates throughout the value chain partly through the company and partly through global networks of leading, independent researchers and specialists, production experts and local distribution partners. The distribution partners are nutrition and pharmaceutical companies which sell BioGaia's products in more than 100 countries.

30 YEARS



2006

Agreement with Ewopharma AG (Eastern Europe) and Ferring (Middle East)
Subsidiary BioGaia Japan founded

2014

Agreement with Abbott (Latin America, Asia)
BioGaia invests in MetaboGen

2018

Foundation to Prevent Antibiotic Resistance founded

2008

First agreement with Nestlé

2017

Subsidiary BioGaia Pharma founded

2020

Directed new issue makes EQT Public Value and Cargill new major owners in BioGaia AB

BioGaia's products contain strains of the lactic acid bacterium *L. reuteri* (*Limosilactobacillus reuteri*, formerly known as *Lactobacillus reuteri*). *L. reuteri* is one of few bacteria that has developed in symbiosis with humans. Due to this it naturally colonises and has a strong adaptation and interacts with us. Results from clinical studies with BioGaia's probiotic strains have been published in more than 200 articles in scientific journals, proving that they are effective and safe in children and adults.

BioGaia wants to contribute to better health in the world by developing and offering clinically-proven and user-friendly probiotic products.

BioGaia conducts its own research as well as collaborating with a large external researcher network. Research includes everything from developing and improving methods for how probiotic cultures are produced to extensive pre-clinical and clinical research.

BioGaia also works strategically to identify new bacteria strains for the probiotics of the future.

BioGaia's product strategy establishes the direction of the company's development. This includes identifying and deciding which new indications the company should invest in, handling and creating new patents and finding and analysing new product formulas and packaging solutions.

Raw materials, including product ingredients for packaging and cultures come from suppliers.

Research

Product development

Raw material use

Production

BIOGAIA'S VALUE CHAIN

Including
raw materials, material
bacteria
from external

In the supply chain, BioGaia takes care of logistics as well as quality assurance and control of products and production.

In the supply chain, BioGaia takes care of logistics as well as quality assurance and control of products and production.

Production and product packing is handled both by external suppliers and BioGaia's subsidiary BioGaia Production.

The finished products are collected from the production unit by BioGaia's partners which legalise, market and distribute them in the different markets. BioGaia supports the distributors with sales and marketing activities as well as in regulatory issues.

Production

Packing

Distribution

Sales



VALUE CREATION FOR BIOGAIA'S STAKEHOLDERS

Society

BioGaia contributes to society by being a good citizen and by offering products that contribute to improved health

- SEK 49.7m in tax
- SEK 3.7m to charities
- Lower cost to society for ill health

Consumers

BioGaia offers consumers probiotic products that contribute to improved health

- 5 new products, all without palm oil
- 46 product launches in new and existing markets

Employees

BioGaia offers its employees a meaningful and stimulating workplace where employees feel job satisfactions

- 40% women in Executive Management
- 1,9 % sickness absence 2019
- 160 employees

Researchers

BioGaia contributes to increased knowledge of probiotics

- 14 % of net sales to research and development
- 214 published articles (Dec 2020)
- 13,900 individuals have participated in studies (Dec 2020)

Stakeholders

Distributors

BioGaia builds long-term relationships with distributors and supports them within sales and marketing

- 90 % have signed the Code of Conduct
- 7 % average growth in past 5 years

Suppliers

BioGaia contributes to development of suppliers through long-term relationships and being a reliable partner

- 100 % of key suppliers have signed the Code of Conduct

Shareholders

Through good risk management and a long-term strategy BioGaia offers a stable value appreciation for its shareholders

- 31 % operating margin



Everyone talks about the immune system

The incentive to remain healthy and not be infected by Covid-19 has meant that interest in products that strengthen the immune system, including probiotics, has risen sharply. As an example, statistics show that the number of searches for 'immune' increased by more than 100% between June 2019 and June 2020 (Lumina Intelligence 2020). Awareness that probiotics, in particular in combination with vitamin D, have immune strengthening effects has also increased.

Upswing for probiotics with vitamin D

BioGaia has been offering probiotic products combined with vitamin D, which has positive effects on health, for several years.



Digitalisation at rocket speed

Lockdowns and restrictions on physical meetings have led people to investigate the digital alternatives. Groups of people who previously never used this technology have been tempted – or forced – to go digital. This transition has also been very fast and in many cases become 'the new normal'.

BioGaia's digital journey

Like so many other companies, BioGaia has where possible transitioned to a smoothly functioning digital operation, both internally and externally. Together with distribution partners in more than 100 countries, a large number of webinars and virtual production launches have been arranged. BioGaia has also intensified the work of making its products available online.

MARKET TRENDS

During 2020 two trends in particular dominated the world: digitalisation and preventive health care with a focus on the immune system.

Development of antibiotic resistance is not taking time out

The focus on the pandemic has overshadowed another future global catastrophe, galloping antibiotic resistance. According to field reports and surveys from [WHO/Europe](#), there is a risk of an increased spread of antibiotic resistance in Europe since erroneous use of antibiotics has increased as a result of the pandemic

More probiotics, fewer antibiotics

*Due to their immune-strengthening effects probiotics can play a key role in the fight against antibiotic resistance. A study published in the [European Journal of Public Health](#) shows for example a correlation between intake of BioGaia's probiotic *L. reuteri* DSM 17938 and a reduced need of antibiotics for children.*

The foundation started by BioGaia in 2017 makes a financial contribution to research and information about measures that reduce the need for antibiotics. In 2021, funds will be distributed to projects with a focus on preventive measures in elderly people.



Sustainable companies are the future

Despite the pandemic, companies continued to invest in sustainability. Consumers and other stakeholders are becoming more and more aware and sustainability is increasingly a key requirement for purchases or collaboration.

Increased focus on sustainability

BioGaia is intensifying its work with sustainability and in 2020 took several key initiatives to ensure good business ethics, to improve environmental impact and offer a workplace that motivates and creates wellbeing. Read more on page 42.



*DIGITALISATION
AND CONSUMER FOCUS
THE WAY FORWARD*

*Linda Hägglund, Marketing Manager and Johannes Asplund,
Global Digital Business Manager will target the consumers.*





BioGaia's marketing model, which is based on medical marketing, has been one of the success factors during the company's 30 years in the probiotics industry. The emphasis now is on complementing this model with an increased focus on consumers. And to reach them requires being where they are – online.

Medical marketing was unique in the probiotics industry when BioGaia chose this model. Focusing on solid research and using this for marketing purposes, convinces doctors of the positive effects of the products so that they recommend them to their patients.

This flow still forms the basis of marketing and will continue to do so. In most of the over 100 countries in which its products are sold, BioGaia's distributors have salespersons who visit doctors and other health-care professionals.

At the same time there has been a shift in recent years. From previously mainly having used probiotics to 'solve a problem' such as the baby crying, a growing number of people are taking probiotics for preventive reasons. Research into the effects of probiotics on the immune system combined with this growing interest in health and staying well, has created a 'new' target group of wellness consumers. More and more consumers are searching for information about probiotics themselves and not even seeing a doctor before purchasing their product in an online store.

In the USA
online sales
accounts
80%
of sales

This development has accelerated in recent years and reached full gallop in the wake of the 2020 Covid-19 pandemic. Today, for example online sales account for 80% of BioGaia's sales in the USA. Similar figures can be seen in China and Vietnam and the growth rate in digital sales channels continues to rise faster than physical retail.

BioGaia has steadily complemented its marketing model with more consumer-oriented marketing. In 2020 further steps towards this expansion were taken by strengthening in-house skills with employees with a solid background in consumer marketing and online retail.

“Previously, consumers were recommended by their doctor to buy a BioGaia product and went to a pharmacy to buy it. Today, when consumers themselves are deciding which products they want and then click them home via an online store, we need to adapt to this changed consumer journey,” says Johannes Asplund, Global Digital Business Manager at BioGaia.

In parallel with this trend, competition in the probiotics market has intensified noticeably. BioGaia’s aim is to build a strong, global consumer brand and therefore focus increasingly on supporting distribution partners with communication and marketing.

“To succeed in creating a global consumer brand, we must have a closer collaboration with our partners and support them with consumer insights and a strong and clear brand offering,” says Linda Hägglund, Marketing Manager at BioGaia.

IN 2020 THE WHOLE WORLD SWITCHED TO DIGITAL. THE CONSEQUENCES FOR BIOGAIA INCLUDED

- *arranging four ‘BioGaia Brilliant Mind Studios’ webinars attended by doctors from all over the world*
- *together with partners arranging 70 webinars with a total of over 30,000 participating doctors and other healthcare professionals*
- *carrying out 33 ‘Coffee with Lotta’ – short, informal webinars for distribution partners- with a total of over 1,100 participants*
- *carrying out 46 product launches, mostly digitally*
- *organising a digital ‘exam’ for 18 participants who had studied at the BioGaia Academy*
- *intensified efforts to offer products via online outlets in even more countries*
- *seeing a strong increase in online sales in many markets*
- *launching the entire Adult Health portfolio in online pharmacies in Sweden*
- *working from home for much of the year in all parts of operations where this was possible.*



NEW MEMBERS OF BIOGAIA'S BOARD OF DIRECTORS

BioGaia is looking to the future and has strengthened the Board with valuable skills and experience from relevant sectors and areas.

VANESSA ROTHSCHILD



Tell us a little about your background.

"I studied International Economics and Management at Università L. Bocconi in Milan from where I have a Bachelor's degree. I then studied business and market strategy and decision psychology at HEC in Paris."

My first job was an internship in the non-profit organisation Fund for Peace in Washington DC, where I wrote a market plan for the project Better Business for Better Communities. It was there that my interest in uniting target-driven organisations with business-based methods and strategies was born.

When I returned to Europe, I turned to BioGaia's distributor in France and successfully launched BioGaia's products as marketing manager for the distributor at the time, Bioethic. I then became a Business Controller at H&M.

With my focus on business development and as the daughter of one of BioGaia's founders, my next step was a position as Regional Sales Manager at BioGaia. There I was responsible for major markets such as Italy and France as well as a launch in Brazil.

When I then wished to continue to develop outside the company,

in line with my interest in leadership, the position of COO at the leadership development company Iero popped up. In conjunction with this development period I combined my passion for entrepreneurship with my desire to develop ideas. I then applied to return to the H&M Group, this time with a focus on integrating sustainability into the core business. Since 2016 I have worked in various global positions within sustainability, most recently as group manager for steering and development with a focus on circular business models. In December 2020, I became employed as Chief Innovation

Officer at Itsapark, the H&M Group's new digital enterprise within sustainable lifestyle, based in Berlin.

My interest in sustainable business creation was formed in an entrepreneurial family with strong values based on ideas and openness.

Growing up in the French countryside, nature is an important part of my life and I really enjoy mountains on skis in deep snow or hiking. Family and friends are equally important and since I recently moved to Berlin, I am looking forward to settling here.

What can you bring to BioGaia's Board?

"Through my sound experience in the field of sustainability from one of the really major players and in an industry of great complexity and high pace, I hope to be able to contribute with strategic sustainability thinking, innovative creation and guidance in governance-related issues."

MARYAM GHAHREMANI



Tell us a little about your background.

"I was born in Iran but came to Sweden when I was six. I studied business administration at Lund University and

Kristianstad University. After my studies, I moved to Stockholm and worked in the marketing departments of Make Up Store and Notar. I then joined Aftonbladet and Schibsted where I held several leading positions including running Sofis Mode and The You Way. From there I applied for management roles with technology companies Wrapp and Acast and in 2018 took over as CEO of Bambuser."

At Bambuser I was initially an interim CEO at a time when the company was struggling with the existing product focused towards media companies. Bambuser had built a fantastic live video technology but had not

managed to commercialise it. A few months later we identified a live shopping trend in China and used Bambuser's basic

technology to create the western world's leading product within live shopping. Through our product range we are now driving the transition in retail and the development of the next generation's online shopping. This is an exciting industry in which things move fast and this suits me perfectly.

What can you bring to BioGaia's Board?

"I hope I can contribute with the speed and energy from the start-up world. Thanks to my operational job, I will be able to contribute with expertise but also with my global network to continue building BioGaia's digital channels with a focus on increased brand awareness and a strong positioning, where D2C will be a driving channel in BioGaia's journey going forward."

Tell us a little about your background.

"I am a partner at EQT and Co-Head of EQT Public Value which invests in listed companies in northern Europe. In addition to BioGaia, I am a member of the board of BHG, a fast-growing online retailer and have previously been a member of a number of boards representing EQT. My daily job is to lead our investment team and beside that I am also a member of EQT's Extended Executive Committee, which is the broader management group within EQT."

Before I joined EQT eleven years ago, I worked at Boston Consulting Group helping large companies with strategy initiatives and various venture capital companies with company reviews of possible acquisition candidates.

I have an M.Sc. in Economics and Business Administration from the Stockholm School of Economics and I also studied the MBA programme at Carlson School of Management at the University of Minnesota. I have always been interested in technology so in parallel with my studies at the Stockholm School of Economics I gained an M.Sc. in Industrial Engineering from the Royal Institute of Technology

in Stockholm, including studying programming at ETH in Zurich.

Throughout my entire career I have worked with companies within health-care, service and technology, media and telecom. What I enjoy most is to invest in and work with companies that offer a unique service or product, and which are looking for fast growth and this is really true of BioGaia.

What can you bring to BioGaia's Board?

"I believe that BioGaia can benefit from an owner like EQT, a global investor with broad experience of companies within healthcare, with a large network of advisers as well as resources within sustainability and digitalisation. I have experience of work on international boards and driving fast change programmes and growth in medium-sized companies. My role as a

NIKLAS RINGBY



member of the Board, and EQT's role as owner, is to support BioGaia's continued development, increase the growth rate and benefit from EQT's resources in this work."

PRODUCTS IN 100 COUNTRIES

BioGaia's products are clinically-tested, high-quality probiotics sold by pharmacies and via online platforms worldwide. The product range includes oil drops, chewable tablets and lozenges, capsules and oral rehydration solution (ORS). In most countries the products are registered as a food supplement.

Paediatrics account for almost 80% of total sales and the largest product is BioGaia Protectis drops.

2020 saw the launch of five products in new variants – without palm oil

Four products for children

- BioGaia Protectis drops
- BioGaia Protectis drops with 10 µg vitamin D
- BioGaia Protectis tablets with strawberry flavour
- BioGaia Protectis tablets with orange flavour and 10 µg vitamin D

...and one for adults

- BioGaia Protectis tablets with orange flavour and 20 µg vitamin D

BioGaia Protectis Immune Active

Interest in products that strengthen the immune system has increased substantially, mainly due to the pandemic and a desire not to become infected by Covid-19. In pace with this, awareness that probiotics, in particular in combination with vitamin D, have immune-strengthening effects has increased among consumers.

Un spring 2021 Everidis, BioGaia's partner in the USA, will launch

- BioGaia Protectis Baby Drops Immune Active, with 15 µg/600 IU vitamin D₃
- BioGaia Protectis Tablets Immune Active, with 20 µg/800 IU vitamin D₃
- BioGaia Protectis Capsules Immune Active, with 50 µg/2 000 IU vitamin D₃

Two line extensions were also launched during the year, BioGaia Prodentis Mum, an oral health product for pregnant and nursing women, and BioGaia Prodentis Kids, an oral health product for children. Both products were launched in the USA.





Phase-out of palm oil

BioGaia is making active efforts to phase out palm oil from products that previously contained this ingredient. At the end of 2020, approximately 63% (35%) of the product range was available in variants without palm oil. By 2023, all products will be offered in variants without palm oil and by 2025 BioGaia will no longer sell products containing palm oil. The task of phasing out palm oil is challenging since BioGaia must ensure that the transition does not compromise the products' quality or stability. With sales in over 100 countries, phasing out also takes time. Read more on page 44.

Free from

More and more consumers are demanding products free from allergens. During the year, BioGaia complemented its documentation to meet EU requirements and can now offer Protectis drops and tablets (with and without vitamin D) and capsules free from gluten, lactose and milk protein. BioGaia Protectis capsules are also vegan.

Life cycle

A new life-cycle assessment was carried out during the year where both packaging and product ingredients were assessed. The assessment, which was more extensive than the life-cycle assessment performed in 2013, gives BioGaia a better understanding of the company's environmental impact. A tool has also been developed which allows the results from the assessment to be integrated into the product development process. Read more on page 44.



Education is one of the cornerstones of BioGaia's operations. Already in the 1990s seminars were arranged at trade fairs for doctors and other healthcare professionals, which today are an established and extensive activity. In parallel with this type of education another, more in-depth form of training has been developed.

In 2017, this initiative was launched under the name BioGaia Academy. Charlotta Grahn, Corporate Marketing Manager Education and Events at BioGaia and responsible for BioGaia Academy, describes the initiative.

BIOGAIA MAKES KEY INVESTMENT IN EDUCATION WITH A NEW DIGITAL PLATFORM

What is the BioGaia Academy?

"BioGaia Academy is the name of the education umbrella that covers BioGaia's most important and most extensive external training. This key investment started in 2017 when we developed training for paediatricians with the main aim of increasing knowledge of probiotics and encouraging global scientific collaboration. The programme has been developed in close cooperation with leading experts in the field who are also tutors for the course. The education mainly consists of digital online modules for self-study with some complementary webinars and face-to-face meetings to promote interaction and networking."

How many courses have you arranged so far?

"Following the pilot course, which started in April 2018, we held one additional course for paediatricians in 2020. We are currently working on developing a corresponding course for dentists which will start in 2021. During the year we will also launch a training programme in paediatrics aimed at our partners."

Our goal has been to have a maximum of 20 doctors on each course and some 35 doctors have graduated from the two courses within paediatrics we have held so far.

Why is BioGaia taking this initiative?

"The main aim is to raise awareness and knowledge of probiotics and their positive effects in a range of different areas where BioGaia has a strong scientific base. Hopefully, the training will also promote networking and communication among the participants and hence create more ambassadors for probiotics."

What are the future plans?

"In addition to the partner programme in paediatrics which will be launched soon and the training for dentists, we also plan to integrate our internal training with the BioGaia Academy platform. We also want to develop an additional course for partners within oral health. In the longer term we are also evaluating the possibility to develop a programme in the area of healthy aging. We are also discussing developing courses for consumers. There is a considerable need for education and knowledge in all target groups and since probiotic research is literally exploding, we believe that this demand will increase further in the future."



The participants' knowledge level improved considerably during the first training programme that BioGaia Academy carried out. This indicates that there is still a lot to do. FLAVIA INDRIO

Why have you become involved with BioGaia Academy?

– Because I think that continual medical further education is very important. Creating networks of researchers and people who are interested in a specific area contributes to valuable skills.

What is your role in BioGaia Academy?

– I am one of the researchers involved in designing the training and I am also a speaker and expert.

Knowledge of probiotics has improved significantly in recent years. Is there still a need to educate doctors about this?

– The participants' knowledge level improved considerably during the first training programme that BioGaia Academy carried out. This indicates that there is still a lot to do.

Flavia Indrio MD, Senior Consultant Neonatologist
Paediatric Gastroenterologist, Department of Paediatrics,
University of Bari, Italy



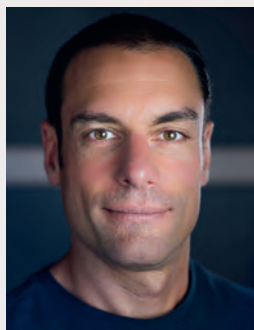
BioGaia Academy was a fantastic experience for me and I am grateful that I was given the possibility to participate. I got a chance to network with colleagues from other parts of the world, I learnt a lot about the microbiome, and I even got an idea for a study which I hope to carry out soon. The medical experts were very knowledgeable and the group discussions extremely rewarding.

Unfortunately, due to Covid restrictions, the second meeting and examination

were held digitally but this was of course necessary due to the pandemic that the world is experiencing.

I can recommend paediatricians who are interested in learning more about the microbiome to take this course.

Waceke Kombe MD, Senior Consultant Paediatrician and Gastroenterologist, Department of Paediatrics. Aga Khan University Hospital of Nairobi, Kenya



BioGaia Academy was a unique opportunity for me to meet colleagues from around the world to discuss how we work in paediatric gastroenterology, focusing on the use of probiotics.

The programme was extremely interesting and varied and included both lectures and workshops as well as social events. I found the workshops especially valuable. The

training improved my knowledge of the microbiota and probiotics but I also gained valuable knowledge of clinical practice from colleagues from around the world.

Dr Alexis Mosca MD, Paediatric Specialist in Gastroenterology and Nutrition, Paediatric Nutrition and Gastroenterology Department, APHP Robert Debré Teaching Hospital, Prof. HUGOT, Paris, France



BioGaia Protectis reduces abdominal pain in children

Despite functional abdominal pain being a common gut problem, there is still no adequate treatment. The aim of this systematic review and meta-analysis was therefore to evaluate the efficacy of strain-specific probiotics on functional abdominal pain in children.

The meta-analysis included nine studies of which six used *L. reuteri* DSM 17938 and three *L. rhamnosus* GG (LGG). The primary outcome, number of symptom-free children at the end of the intervention was not achieved, however.

“Since the primary outcome was not achieved, we cannot draw any firm conclusions from our meta-analysis. But despite this we can conclude that *L. reuteri* DSM 17938 can be effective in reducing pain intensity and increasing the number of days without pain in children suffering from functional abdominal pain,” says the study’s Principal Investigator, Assistant Professor Iva Hojsak, Children’s Hospital, Zagreb, Croatia.

The meta-analysis showed no significant advantages of LGG supplement compared with a placebo in children suffering from functional abdominal pain.

The systematic review and meta-analysis were published online on 17 September 2020 in European Journal of Pediatrics.



NEWS FROM THE RESEARCH FRONT

BioGaia Prodentis reduces bleeding of the gums

A randomised, double-blind, placebo-controlled study on healthy sailors showed that a supplement of *L. reuteri* Prodentis significantly reduced bleeding of the gums compared with a placebo.

“A supplement of *L. reuteri* lozenges is an efficacious and easily implementable measure to maintain or improve periodontal health in medically healthy persons with limited access to personal oral hygiene,” says the study’s Principal Investigator Professor Ulrich Schlägenhauf, Department of Periodontology, University Hospital Würzburg, Würzburg, Germany.

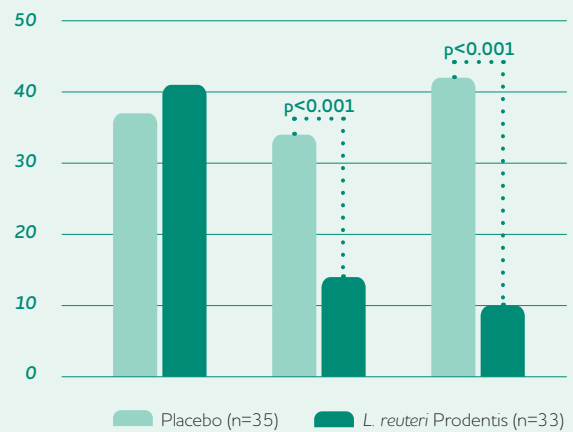
Study design

72 healthy sailors were randomised to either two lozenges daily (4×10^8 CFU/day) of *L. reuteri* Prodentis (*L. reuteri* ATCC PTA 5289 and *L. reuteri* DSM 17938) or a corresponding placebo for 42 days. The study was carried out while the sailors were participating in a six-week military exercise at sea. The sailors did not receive professional oral cleaning or any oral hygiene instruction.

The primary outcome of the study was bleeding on probing, but plaque, probing pocket depth and other parameters were also measured.



Bleeding on probing (%)



Less bleeding with *L. reuteri* Prodentis

The group which received probiotics showed a significant improvement in all parameters compared with the start of the study and with the placebo group on both day 14 and day 42. In the placebo group all parameters were significantly worse at the end of the study.

“Based on our study result we can conclude that supplementing with *L. reuteri* provides a new alternative for preventing and treating individuals with gingivitis,” says Professor Schlägenhauf.

The study was published online on 26 February 2020 in Journal of Periodontology.

New key milestone for MetaboGen

BioGaia’s subsidiary MetaboGen works with developing the next generation of probiotic products. The focus is on metabolic conditions, primarily diabetes and related illnesses.



Following positive results from the initial clinical study of the strains *Faecalibacterium prausnitzii* (DSM 32379) and *Desulfovibrio piger* (DSM 32187), MetaboGen has now received approval from the ethics committee to start its next clinical study. The study will include people with prediabetes and is planned to start during 2021.

MetaboGen has studied women with intrahepatic cholestasis of pregnancy

Together with pharmaceutical company Ferring Pharmaceuticals, BioGaia’s subsidiary MetaboGen has carried out a study on women with intrahepatic cholestasis of pregnancy (ICP), a condition that annually affects around 400,000 women worldwide.

The study, which is explorative, was carried out in collaboration with Kvinnokliniken in Lund and Södersjukhuset in Stockholm and included 100 women. The results will be presented in 2021.





Many of our consumers are aware and seek information themselves before buying their product.

URBAN STRINDLÖV, EXECUTIVE VICE PRESIDENT SALES

LONG TERM-RELATIONS – EQUALLY IMPORTANT IN A DIGITAL CONTEXT

2020 was a challenging year in many ways. For BioGaia two clear trends can be identified, according to Urban Strindlöv, Executive Vice President Sales at BioGaia.

“Markets with a tradition of working with medical marketing and where sales mainly take place in physical pharmacies, have been hard hit by lockdowns. On the other hand we can see increased sales in markets with a clear omnichannel structure. In the USA and China, for example, we can see sharply increased growth based on the fact that our products are found where the consumer is found – online. Many of our consumers are aware and seek information themselves before buying their product. And to an increasing extent both these actions – searching for information and purchasing – take place online.”

At the same time Urban thinks that it is important to stress that BioGaia’s foundation is well-studied products with documented health benefits. There is therefore no contradiction between working with medical marketing, where the products’ scientific documentation is marketed to doctors, and being listed on Amazon.

“Our distributor in the USA assesses that a large part of online sales is driven by doctors’ recommendations, which underlines the need for a strong omnichannel strategy where the role of doctors continues to be highly significant.”

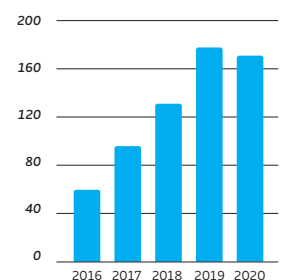
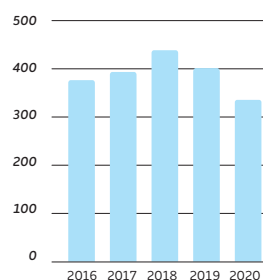
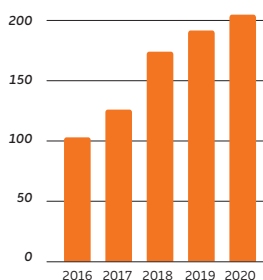
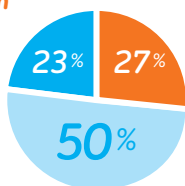
BioGaia’s sales department is organised in three regions, EMEA, APAC and Americas which are led by regional managers. Urban is head of the department.

“As well as regional managers, each region has key account managers. These work closely with our partners. Several of them also originate from and live in one of the countries in their region,” explains Urban.

“We try to find local people who are well-familiar with the market, at least in their home country and preferably several countries in the region. It is a big advantage, for example, to speak the language and be comfortable with the culture of a region. At the same time it is critical that everybody in the team understands the company BioGaia and our values, ethics and morals,” he concludes.

Sales by geographical market, SEKm

- Americas
- EMEA
- Asia Pacific



Belgium has a strict regulatory system for probiotics and BioGaia's partner, EG, had therefore already long before the pandemic, positioned Protectis products for the immune system by using health claims for vitamin D in their consumer marketing. This contributed to good sales development in 2020.

"EG has succeeded well in establishing the brand with Belgian consumers. In December they launched a major marketing campaign with TV commercials and a significant focus on social media. The strategy is to invest even more in consumer-targeted marketing in the future," says Ingrid Messerer, Key Account Manager Northern Europe.

BioGaia Osortis was launched in Sweden in 2020



In France, BioGaia's partner PediAct has an established omnichannel strategy. The main target groups are doctors, midwives, pharmacists and recent parents. Since pharmacies have remained open during the pandemic, PediAct has been able to take advantage of its well-established pharmacy network. Doctors and midwives have also continued to recommend BioGaia's drops, mainly on digital channels such as webinars, on websites for parents and through influencers.

"Through a focus on Protectis tablets with vitamin D, good stock levels and high involvement of midwives, PediAct saw a positive sales development in 2020 compared to 2019," says Ana Pérez Sanz, Vice President EMEA. "A successful launch of BioGaia Gastrus in October also contributed to the good result."

In Germany, the main focus is on paediatric health but the strategy is to broaden both the portfolio and target group.

Last year, BioGaia's partner InfectoPharm succeeded in strengthening their already good position with midwives despite the pandemic. Furthermore they carried out several successful campaigns targeting pharmacists.

"Thanks to InfectoPharm's long-standing and close collaboration with midwives and pharmacists, sales to consumers were not significantly affected. From BioGaia's perspective we saw positive sales development during 2020 compared to 2019," says Ingrid. "By launching more products and taking market shares we expect continued positive growth in Germany in the near future."



Ingrid Messerer
Key Account Manager Northern Europe

Born in Germany, lives in Stockholm, Sweden

As part of the strategy to build a strong consumer brand, at the end of the year we launched BioGaia Osortis and BioGaia Prodentis under our own brand in Sweden.

As a result the entire adult portfolio is available under our brand here, for the time being only through the online pharmacies apotea.se and MEDS.se, but in the future also in several of the major pharmacy chains both in their physical stores and online. As in many other markets, online retail has accelerated fast in Sweden and we will focus mainly on these digital channels. This initiative complements our long-term and successful collaboration with Semper on the paediatric side," concludes Ingrid.



Kim Prinsloo
Key Account Manager in Africa

Born in South Africa, lives in Port Elisabeth, South Africa

South Africa went into lockdown in March 2020 and the entire economy, including the probiotics sector, was hard hit. As a result, sales by BioGaia's partner Ascendis fell sharply during the second quarter.

Since then they have been working actively to get sales going again, among other things through new marketing strategies in combination with online training and webinars.

"South Africa is BioGaia's most important market in Africa – and one of our ten top markets globally – and the loss of sales therefore had a significant impact on us. Despite the country being back on partial lockdown, Ascendis's sales are

now on the right track," says Kim Prinsloo, Key Account Manager Africa.

Protectis drops with vitamin D were launched in Kenya in 2020



"Kenya and Ghana, two of BioGaia's newer markets, were also hit hard by lockdown. Nevertheless during the year we succeeded in launching both Protectis drops with vitamin D and Gastrus in Kenya. The team at Phillips Pharma worked hard to keep sales going and in September sales to consumers rose again," concludes Kim.



Through a focus on Protectis tablets with vitamin D, good stock levels and high involvement of midwives, PediAct had positive sales development in 2020 compared to 2019.” ANA PÉREZ SANZ, VICE PRESIDENT EMEA

The USA was hard hit by Covid-19. Such comprehensive changes in American society have not been seen since the second world war. All states have been affected differently but a common factor is that online shopping has beaten all previous records. 2020 was a record year for BioGaia, the best ever in the USA and Canada. Product sales under the BioGaia brand grew at record speed, especially in the USA.

“The business model of our partner Everidis, which focuses on online rather than traditional pharmacy sales, has proved both reliable and highly successful during the pandemic,” says Joakim Annwall, Regional Director BioGaia Biologics Inc. in North America. “Our American consumers have switched from physical pharmacies to online stores. This move started before the pandemic but has accelerated as a result of the restrictions.”

Everidis has an established omnichannel strategy. Marketing to consumers is almost exclusively digital on Amazon and other online retail platforms as well as on social media. Doctors, dentists and other healthcare professionals are targeted by medical marketing.

The year saw the launch of BioGaia Prodentis Kids, an oral health product for children aged three and above. Reception

especially from paediatricians has been very positive. They see Prodentis Kids as a valuable supplement for children with caries, for example. For Everidis the launch is a way of broadening the portfolio towards an established target group. Prodentis lozenges for adults were launched in 2019. Both oral health products have shown good sales development in the past year, Everidis expects continued positive development in 2021.

In spring 2021 three completely new products will be launched within the immune area, for infants, older children and adults. “We see significant growth in the immune market in the USA and therefore great potential for BioGaia with these products,” concludes Joakim.



Joakim Annwall
Regional Director BioGaia
Biologics Inc., North America
Born in Sweden, lives in Miami,
USA

2020 was definitely a challenging year since Asia was the first region to be hit by Covid-19. Already at the start of the year Asian countries locked down. In many of BioGaia's key markets, such as Japan, China, Singapore and Korea, all medical congresses and seminars were cancelled and sales in physical channels drastically reduced.

"At the same time consumers who were forced to stay at home accelerated the development of online shopping, something we tried to take advantage of," says Hok Ting Yau, Regional Manager and Office Head APAC. "In order to adapt and facilitate our customer meetings, we started early in the APAC region to change our physical communication channels to digital ones. We arranged medical webinars and created digital marketing material for our partners."

Sharp rise in online retail in China

China is BioGaia's most important market in Asia. There is considerable awareness among consumers about probiotics and their health benefits. Probiotics are primarily sold online. China was the first country to be hit by Covid-19 and the market responded, especially in the first half. In that period there were almost no meetings with doctors or other healthcare professionals and sales in physical pharmacies almost totally disappeared. However, the sharp rise in online shopping compensated for this loss.

"Together with our partners in China we continue to work on strengthening our digital presence," says Ting. "We are also planning to extend the portfolio by launching more products. BioGaia's strategy for remaining competitive is our unique combination of leading-edge skills and the omnichannel strategy."

Another extremely important market is Japan where BioGaia has had a subsidiary since 2006. BioGaia Japan works primarily with dental clinics and has developed a unique concept that does not focus solely on oral health but includes all BioGaia's products. Dentists are trained by BioGaia and include BioGaia's products in the treatment of their patients.



Hok Ting Yau
Regional Manager and Office Head APAC

Born in Hong Kong, lives in Stockholm, Sweden, and in Singapore

"As in so many other countries, Japanese society in its entirety was in lockdown for long periods in 2020. Since our sales mainly take place in dental clinics, and these were closed, we had to adapt quickly and move physical meetings to digital channels," says Jonas Weimer, Vice President APAC.

"Despite the circumstances we launched some ten products in 2020 through our partners in Hong Kong, Taiwan and Indonesia. We also arranged our first digital workshop for partners to celebrate BioGaia's 30th anniversary. Of course, this cannot be compared with a face-to-face meeting but it was still fantastic to 'meet' all our partners and celebrate this special occasion," concludes Ting.

As in so many other countries, Japanese society in its entirety was in lockdown for long periods in 2020. Since our sales mainly take place in dental clinics, and these were closed, we had to adapt quickly and move physical meetings to digital channels.

JONAS WEIMER, VICE PRESIDENT APAC

Sales of probiotics fell slightly in 2020 mainly due to Covid-19. Latin America is one of the regions in the world where medical marketing is most established but due to the pandemic only 30-40% of face-to-face meetings with doctors could be held. The five largest countries in Latin America were in the pandemic's global top-ten list for most of 2020 with lockdowns and extensive restrictions.

BioGaia's sales in Latin America moved up from third place among probiotic companies to second place. There was a double-digit increase in sales mainly due to new launches and intensified online activities.

BioGaia also launched products in two new markets: Ecuador (the third largest probiotics market in Latin America) and Uruguay. We also launched Protectis drops with vitamin D and BioGaia Gastrus in many countries..

14 new digital launches
& 50 webinars

"Together with our LatAm partners we arranged presentation training for doctors, made 14 digital launches and held over 50 webinars during the year. BioGaia Protectis with vitamin D is now available in nearly all markets, for example," says Iván García, Regional Director Latin America.

"Another very satisfying milestone was the registration of our vitamin D drops in Argentina. We look forward to launching our products with our new partner Ethical Nutrition."

BioGaia's partners also increased their investments in social

media in many markets, such as Chile and Mexico. To support and complement their digital strategy, BioGaia launched its website in Spanish in the middle of 2020..

"Probiotic sales fell in Brazil, the largest probiotics market in Latin America, but BioGaia's sales rose thanks to our partner's Aché's swift digital transition and major investments," declares Cristián Contreras R-T, Vice President Latin America. Among the six largest probiotic brands, BioGaia's products were the only ones with increased sales in 2020. "We expanded the Protectis portfolio by launching drops in a 10ml package which made a strong contribution to growth," concludes Cristián.

Mexico is Latin America's second-largest probiotics market and was the only one that grew in 2020. BioGaia's sales rose more than the market mainly due to good sales of Protectis drops and the successful launch of Prodentis / ProD by our new partner Laboratorios Grisi.



Iván García
Regional Director Latin America

Born in Mexico, lives in Miami, USA



Among the six largest probiotic brands, BioGaia's products were the only ones to increase sales in 2020 (in Brazil).

CRISTIÁN CONTRERAS R-T, VICE PRESIDENT LATIN AMERICA

2020 was a tough year in Turkey and the Middle East. Turkey, BioGaia's most established and largest market in the region, was hit by lockdowns and restrictions and the entire pharmaceutical and food supplement market suffered.

"Online sales of medicines and food supplements are not established in Turkey. Here BioGaia's drops are primarily recommended by doctors. This meant that our sales fell during the first half. At the end of the year, however, we could see a recovery and we are proud to have retained our market-leading position for drops despite intense competition from many strong international brands," says Tunc Kurtoglu, Key Account Manager Turkey, Israel, North Africa and Middle East.

"Our partner Eczacibasi plans to launch BioGaia Gastrus and Prodentis during 2021 and with the broader portfolio we expect increased sales in Turkey in 2021."

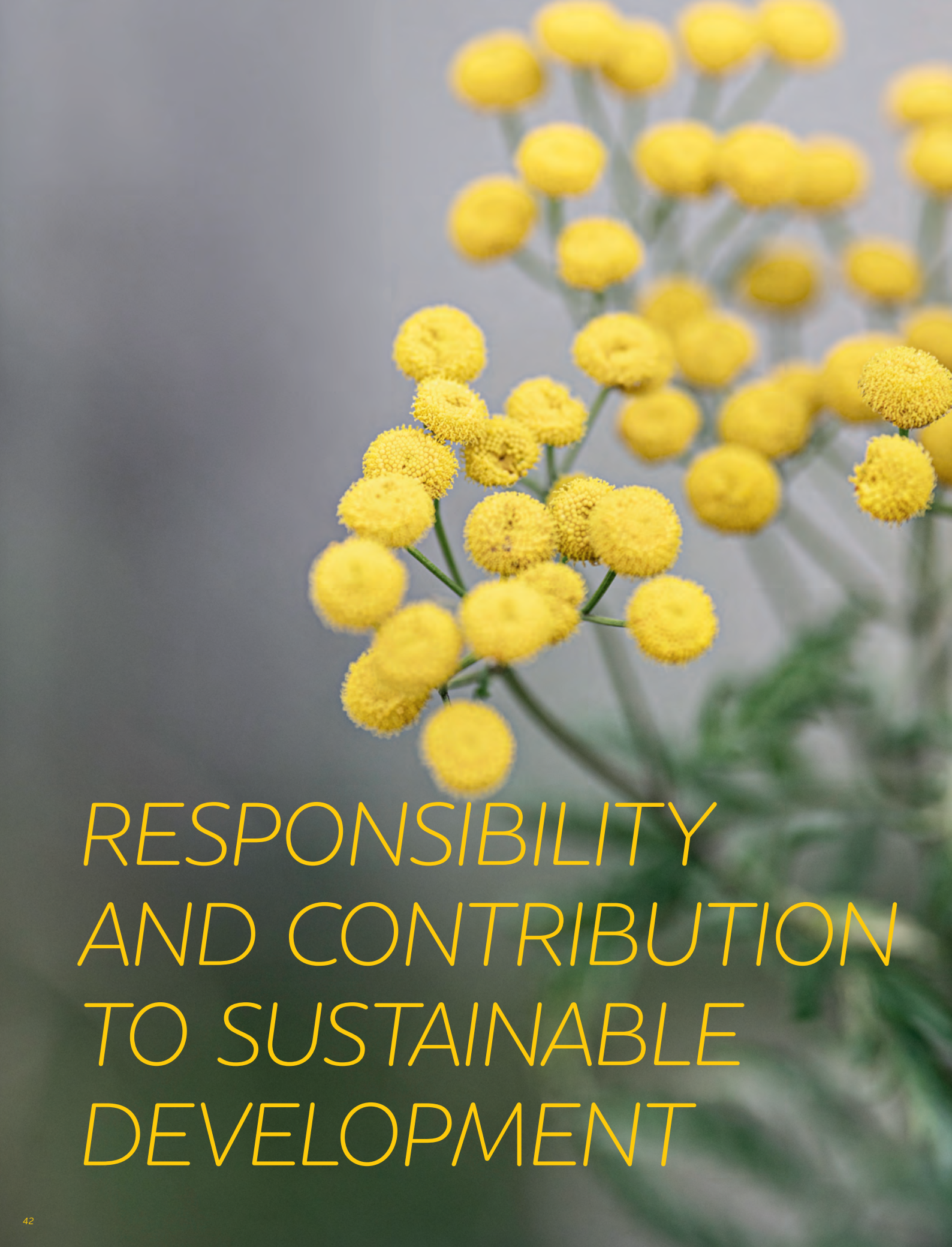
"Our partner in Israel, Pharmabest, was quick to establish online retail channels for the products. This strategy proved successful and at the end of 2020, following tough restrictions that affected sales, these started to rise again. Currently Protectis drops and tablets are the only products in Israel but Pharmabest plans to launch more products during 2021 which we hope will contribute to a further rise in sales."

In the Middle Eastern markets BioGaia's products compete in pharmacies with cheap probiotic products. The lack of digital sales channels also contributes to the difficulty of establishing and increasing business in this region. A new strategy is planned for 2021 which hopefully will contribute to positive development.



Tunc Kurtoglu
Key Account Manager Turkey, Israel, North Africa and Middle East

Born in Turkey, lives in Stockholm, Sweden



*RESPONSIBILITY
AND CONTRIBUTION
TO SUSTAINABLE
DEVELOPMENT*

Four focus areas for sustainability

BioGaia looks beyond the direct health benefits of the products and includes the company's impact on the health of society as a whole and the health of our planet.

The UN's sustainable development goal 'Ensuring healthy lives and promoting well-being at all ages' is the basis of BioGaia's business. But sustainability work also includes action to reduce environmental impact and ensure an ethical approach and behaviour in everything the company does.

To ensure that sustainability initiatives remain relevant and focused in those areas where BioGaia can make the most difference, a continuous dialogue is held with stakeholders about these issues. During the year, the company's sustainability strategy has been further developed and key steps were taken for increased sustainability work.



Greenhouse gas reporting developed and updated for 2020



100% renewable electricity for all the Group's operations in Sweden



A target is set to reduce emissions from travel by 30% with 2019 as base year



Everyone in the BioGaia Group attended training in anti-corruption



New life-cycle assessment and life-cycle tool to calculate environmental impacts from products



Whistleblower service implemented



SEK 3.7 million to community involvement



New more sustainable products launched – vegan capsules, tablets and drops without palm oil and free from milk protein, gluten and lactose



Internal Code of Conduct implemented

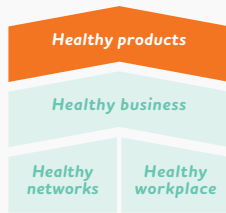


BioGaia climate compensates for its emissions for both 2019 and 2020



BioGaia now reports in accordance with the GRI Standards: core option

BioGaia publishes a separate Sustainability Report in accordance with Global Reporting Initiative Standards. For more in-depth information about the company's sustainability work, see [issuu.com/biogaia/docs/biogaia_sustainability_report_2020](https://www.biogaia.com/docs/biogaia_sustainability_report_2020)



Healthy products

It is fundamental that the products are safe and meet consumers' expectations. Quality is a key factor, from ensuring that research on product benefits is reliable to guaranteeing that the product retains its high quality when it reaches consumers.

One of BioGaia's key strengths is the large number of well-executed independent clinical studies on the products. BioGaia's probiotic strain, *L. reuteri* DSM 17938, is the world's most scientifically-studied probiotic bacterium that remains patented.





Providing transparent information on research strengthens stakeholder confidence and ensures that consumers receive safe products with the benefits they require. BioGaia applies the International Scientific Association for Probiotics and Prebiotics (ISAPP) criteria for probiotic products, including how these should be labelled.

BioGaia checks every single batch that is produced against the applicable requirements. BioGaia also monitors contract manufacturers' compliance with the applicable quality requirements through documented reviews and periodic audits. BioGaia has never needed to recall products already distributed to consumers. The company's quality work also aims to identify potential improvements in documentation and production processes. For example, during 2020 the Protectis portfolio was declared allergen-free and work is ongoing so that this can apply to the remaining product families.

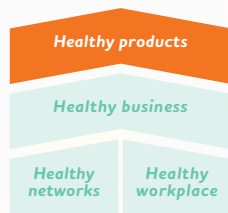
A new life-cycle assessment was carried out during 2020, covering both packaging and the ingredients used in the products. This will enable BioGaia to better understand the company's environmental impact. A tool has also been developed that allows these results to be integrated into the product development process.

Palm oil is one example of an ingredient that has a significant impact on both people and the environment. At the end of 2020, some 70% (35%) of product formulations were available in variants without palm oil. BioGaia buys credits for the palm oil which is used from RSPO-certified independent smallholders in accordance with RSPO's Book and Claim system. The aim is to stop selling any products containing palm oil by 2025.

Developing new sustainable packaging remains a priority where the biggest challenge is to find a solution that does not compromise the quality of the bacteria which are extremely sensitive to water and oxygen. A project team has been created to intensify development work during 2021. An increasing use of mono-material in packaging and consumer communication to increase recyclability rates are examples of small changes introduced during the year to reduce impact.

	Strain or strain combination	Published articles
 PROTECTIS	<i>L. reuteri</i> DSM 17938	153
 PRODENTIS	<i>L. reuteri</i> DSM 17938 & <i>L. reuteri</i> ATCC PTA 5289	53
 GASTRUS	<i>L. reuteri</i> DSM 17938 & <i>L. reuteri</i> ATCC PTA 6475	6
 OSFORTIS	<i>L. reuteri</i> ATCC PTA 6475	1

HEALTHY SOCIETY



A healthy business

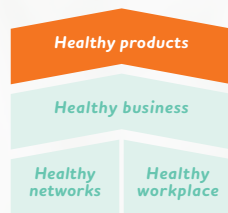
BioGaia's values are the cornerstones of the business and help to ensure that all employees embrace the highest standards in everything the company does. Ensuring good business ethics, taking a clear stand on respect for human rights and accepting responsibility for the environmental impact of the company's operations are fundamental and highlighted in BioGaia's Code of Conduct.

In 2020, all employees were involved in defining the company's new values and an internal Code of Conduct was implemented. This includes not only the company's key ethical standards but also sustainability ambitions and commitments.

During 2020, BioGaia also implemented a whistleblower system and all employees in the Group received anti-corruption training. BioGaia's ambition for 2021 is to further develop this web-based training. Further steps will be taken to evaluate specific risks in different parts of the business and for different roles in the organisation.

The life-cycle assessment also means that an updated, more comprehensive carbon footprint can be reported. BioGaia compensates for all emissions, but in addition has an ambition to reduce its own impact in the value chain. Action has now been taken against many of the company's main emission sources. Phasing out palm oil in the products will reduce total greenhouse gas emissions by more than 150 tonnes annually. Work on identifying more sustainable packaging solutions has been intensified and BioGaia has committed to reduce business travel by 30% with 2019 as the base year. Reductions have also been achieved during the year by ensuring that only green energy is used in BioGaia's offices and production facilities in Sweden.

HEALTHY SOCIETY



Healthy networks

BioGaia's international networks of researchers, suppliers and distributors are key to the business model. A large part of BioGaia's impact and ability to make a difference comes from being able to influence and collaborate with partners in the value chain.

BioGaia works with external suppliers for production, packaging, culture manufacture and analysis services in Sweden, Denmark, Belgium, Spain and the USA. Sustainability aspects such as quality, safety and environmental impact are followed up through periodic audits and are also handled in the ongoing dialogue.

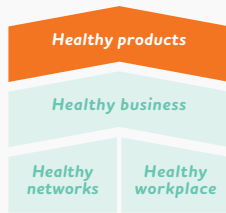
Having long-standing close relationships with a relatively small number of suppliers enables greater insight which reduces sustainability risks in BioGaia's value chain. It also promotes opportunities for collaboration on improvements. In the process of carrying out the life-cycle assessment, a number of opportunities to reduce greenhouse gas emissions were identified. These will be investigated further in 2021.

BioGaia's distributors are key players in ensuring that the company's products comply with legislation and regulations in their respective markets and that they are distributed and marketed responsibly and in line with BioGaia's values. In 2020, BioGaia developed a process for further evaluating new distributors' sustainability performance.

A Supplier Code of Conduct specifies BioGaia's minimum requirements within areas such as human rights, working conditions, environment, business ethics and anti-corruption. At the end of 2020 all (100%) prioritised suppliers had signed the Code of Conduct. A similar Code of Conduct for distribution partners was introduced in 2018 and at the end of 2020, 90% (85%) had signed this. The ambition is that the remaining distributors will have signed or presented their own equivalent by the end of 2021.

BioGaia has built a unique network of international researchers with whom the company collaborates to conduct research. BioGaia's policies for ethical research are stipulated in the company's Code of Conduct and research partners are encouraged to apply the highest ethical standards in all pre-clinical and clinical research. Specific requirements are stipulated in the research contracts. BioGaia encourages transparent results from researchers. The studies must be registered on a public website such as ClinicalTrials.gov prior to study start.

HEALTHY SOCIETY



A healthy workplace

BioGaia strives to promote a healthy environment in the workplace to enable the employees to thrive. By engaging and inspiring employees to be the best version of themselves, both employees and the business benefit.

Culture is a strong motivating factor and lies at the heart of what drives the business. At BioGaia this is summarised as ‘Do good and have fun’.

During the year BioGaia has invested further in developing this culture and employees across the company have been involved in shaping the definition of BioGaia’s new values. Work on implementing these values continues in 2021.

BioGaia strives to be an attractive workplace for everyone. An organisation that is characterised by diversity and inclusion not only reflects values but is also vital for commercial success. In 2020, BioGaia was one of 65 (out of 335) companies listed as green by the Albright Foundation, which rates Swedish listed companies based on equality in the management team.

BioGaia has a zero-tolerance policy for discrimination. Regardless of age, gender, ethnicity or religious beliefs everyone must be treated with the same respect and dignity.

During the year, a new policy and diversity plan for 2020 to 2023 was introduced as well as a new action plan covering discrimination, harassment and victimisation

BioGaia shall also offer all its employees good development opportunities. The company has a tool for structured performance reviews, which is also used to ensure the quality of follow-up. Carrying out these reviews is a key component in ensuring that employees perceive that their efforts are appreciated and that they develop. In 2020, 84% (81%) of employees had such a review with their immediate manager.


In line with BioGaia’s strategy, a leadership development programme was started in 2020. Physical meetings are key for the successful implementation of cultural changes which meant that part of the programme had to be postponed due to the pandemic. 2020 was therefore focused on those modules that could be managed in a digital environment and the aim is to continue this work in 2021.

Community involvement

During 2020 BioGaia invested SEK 3.7 million to support organisations that work with health-promoting activities in areas that are linked to BioGaia’s business.

BioGaia continues to support the Foundation to Prevent Antibiotic Resistance (PAR), The Children’s Mission in the Philippines and Dr Denis Mukwege’s vital work at the Panzi Hospital in the Democratic Republic of Congo. Since 2013, BioGaia has offset climate emissions, since 2020 by supporting Burn Manufacturing. An improved reporting function for carbon footprint in 2020 means that the company could not only compensate for emissions in 2019 but also for 2020 with a total of SEK 322,000.





*FINANCIAL
INFORMATION
NOTES*



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Administration report

The figures in brackets refer to the previous year

The Board of Directors and the CEO of BioGaia AB (publ) corporate identification number 556380-8723, hereby submit their annual report and consolidated financial statements for the financial year 2020.

The financial statements were approved for publication by the Board of the Parent Company on 17 March 2021.

BioGaia

The company BioGaia is a healthcare company that develops, markets and sells probiotic products with documented health benefits. The products are primarily based on different strains of the lactic acid bacterium *L. reuteri* in combination with unique packaging solutions that make it possible to create probiotic products with a long shelf life.

The class B shares of the Parent Company BioGaia AB are quoted on the Mid Cap List of Nasdaq OMX Nordic Exchange Stockholm. BioGaia has 160 employees, of whom 96 are based in Sweden (Stockholm, Lund, Eslöv and Gothenburg).

Business model BioGaia works with three international networks within the areas of research, production and distribution.

BioGaia's revenue comes mainly from the sale to distributors of drops, gut health tablets, oral rehydration solution (ORS) and oral health products. Revenue is also earned from the sale of bacterial cultures to be used in licensee products (such as infant formula and dairy products), as well as royalties for the use of *L. reuteri* in licensee products.

The products are sold through nutrition and pharmaceutical companies in more than 100 countries.

BioGaia holds patents for the use of certain strains of *L. reuteri* and certain packaging solutions in all major markets.

The BioGaia brand At the beginning of 2006 BioGaia launched its own consumer brand and today there are a number of distribution partners that sell finished products under the BioGaia brand in a large number of markets. One central part of BioGaia's strategy is to increase the proportion of sales consisting of BioGaia-branded products.

Some of BioGaia's distributors sell finished consumer products under their own brand names. On these products, the BioGaia brand is shown on the consumer package since BioGaia is both the manufacturer and licensor.

BioGaia's licensees add *L. reuteri* culture to their products and sell these under their own brand names. On these products, the BioGaia brand is most often shown on the package as the licensor/patent holder.

Key events in 2020

New agreements and launches

- **Launch of BioGaia Protectis capsules in Sweden** On 6 May, BioGaia announced that BioGaia's Swedish partner Medhouse has launched BioGaia Protectis capsules.
- **BioGaia signs exclusive agreement in Argentina** On 16 March, BioGaia announced that BioGaia has signed an agreement with ETHICAL NUTRITION for the exclusive rights to sell BioGaia Protectis drops and BioGaia Protectis tablets in Argentina.

Clinical studies

- ***L. reuteri* Protectis reduces pain in children with functional abdominal pain** On 28 September, BioGaia announced in a published systematic review and meta-analysis that *L. reuteri* Protectis (DSM 17938) was the only probiotic showing reduced pain intensity and an increased number of pain-free days compared to placebo, in children with functional abdominal pain (FAP).
- **Study published with BioGaia Prodentis** On 11 February, BioGaia announced that a randomised, double-blind, placebo-controlled study showed that supplementation with *L. reuteri* Prodentis significantly reduced bleeding of the gums compared to placebo.

Other key events

- **Update concerning the Covid-19 pandemic** On 30 March, BioGaia announced that BioGaia has taken a number of precautions due to Covid-19 and that the impact on its operations has been limited.
- **BioGaia's Board decision regarding extra dividend** On 10 September, in light of the continued uncertainty in connection with the global spread of Covid-19, BioGaia's Board of Directors decided not to convene an Extraordinary General Meeting to decide on the previously proposed extra dividend of SEK 4.25 per share.
- **Lower sales due to Covid-19** On 12 October, BioGaia announced that sales and earnings will be negatively affected in both the third and fourth quarters of 2020 and that BioGaia's assessment is that this is related to the Covid-19 pandemic.
- **BioGaia intends to carry out a directed share issue of up to SEK 1.1 billion** On 30 October, BioGaia announced its intention to carry out a directed issue of new class B shares corresponding to a value of up to SEK 1.1 billion to Swedish and international institutional investors. In the event of strong demand in the directed issue, certain major shareholders in the company – Annwall & Rothschild Investments AB and David Dangoor – have declared themselves willing to sell approximately 200,000 class B shares in BioGaia, at the same price as in the directed issue. The strategic investors Cargill Inc. and EQT Public Value have indicated interest to participate in the directed issue with significant amounts.
- **BioGaia has carried out a directed issue of 2.86 million class B shares, raising proceeds of SEK 1.1 billion** On 30 October, BioGaia announced that BioGaia had successfully completed a directed issue of 2.86 million class B shares at a subscription price of SEK 400 per share, entailing proceeds to the company of approximately SEK 1.1 billion. The subscription price was based on an accelerated book building procedure. The directed issue was oversubscribed and a wide range of Swedish and international institutional investors participated, including the strategic investors Cargill Inc. and EQT Public Value Fund, which had previously indicated an interest to participate, as well as certain existing shareholders. In connection with the new issue, certain major shareholders, including Annwall & Rothschild Investments AB and David Dangoor, sold a total of 229,332 class B shares, at the same price as in the directed issue.
- **Extraordinary General Meeting of BioGaia** On 25 November, BioGaia announced that the Extraordinary General Meeting of BioGaia held on 25 November 2020 had resolved as follows: that the number of Board members shall be eight without deputies to elect Niklas Ringby as a new Board member that no remuneration shall be paid to Niklas Ringby to approve the Board's resolution from 30 October 2020 to issue a maximum of 1,126,354 new class B shares, whereby the company's share capital will increase by a maximum of SEK 1,126,354.
- **New number of shares and votes in BioGaia** On 30 November, BioGaia announced that the number of shares and votes in BioGaia AB has changed due to the directed issue of new shares completed on 25 November. Through the share issue the number of class B shares and votes in BioGaia increased by 2,860,000. On 30 November there are in total 20,196,462 shares in BioGaia, of which 740,668 are class A shares and 19,455,794 class B shares, together carrying 26,862,474 votes.

Key events after the end of the financial year

- On 3 February 2021 the Board of BioGaia announced that the company has decided to revise the dividend policy to pay a shareholder dividend equal to 50% of profit after tax in the Parent Company compared to a previous 40%.
- On 12 February, BioGaia announced that the subsidiary MetaboGen has reached a new crucial milestone in its development of novel probiotic products. MetaboGen aims at developing next generation probiotic products focusing on metabolic conditions with special emphasis on diabetes and related diseases. The subsidiary has now received approval from the Ethics Committee to start a new clinical study.

LAUNCHES IN 2020

DISTRIBUTOR	COUNTRY	PRODUCT	BRAND
Cube	Greece	BioGaia Prodentis lozenges	BioGaia
JHealth	Hong Kong	BioGaia Protectis tablets with new flavour (strawberry)	BioGaia
JHealth	Hong Kong	BioGaia Protectis drops with vitamin D, easydroppar	BioGaia
Delta Medical	Russia	BioGaia Protectis drops with vitamin D	BioGaia
BG Distribution	Hungary	BioGaia Protectis drops, easydroppar	BioGaia
Abbott	Bolivia	BioGaia Protectis drops with vitamin D	BioGaia
Nestlé	Mexico	B. lactis drops	Partner brand
Nestlé	Chile	B. lactis drops	Partner brand
Abbott	Peru	BioGaia Gastrus tablets	BioGaia
Phillips Pharmaceuticals	Kenya	BioGaia Protectis drops with vitamin D	BioGaia
bWellness	Australia	BioGaia Gastrus tablets	BioGaia
Dr Reddy's	India	BioGaia Protectis tablets with new flavour (lemon)	BioGaia
Abbott	Colombia	BioGaia Protectis drops with vitamin D	BioGaia
Abbott	Colombia	BioGaia Gastrus tablets	BioGaia
Grisi	Mexico	BioGaia Prodentis	BioGaia
Agefinsa	Guatemala	BioGaia Gastrus tablets	BioGaia
Pemix	Malta	BioGaia Protectis drops	BioGaia
Phillips Pharmaceuticals	Kenya	BioGaia Gastrus tablets	BioGaia
Abbott	Peru	BioGaia Protectis drops with vitamin D	BioGaia
Nestlé	Dominican Republic	BioGaia Protectis minipack	BioGaia
Nestlé	Dominican Republic	B. lactis drops	Partner brand
Interstat	Indonesia	BioGaia Protectis tablets with new flavour (lemon)	BioGaia
Pemix	Malta	BioGaia Protectis ORS	BioGaia
Pediact	France	BioGaia Gastrus tablets	BioGaia
Nestlé	Peru	BioGaia Protectis drops with vitamin D	BioGaia
Abbott	Uruguay	BioGaia BioGaia Protectis drops/tablets	BioGaia
Abbott	Chile	BioGaia Gastrus tablets	BioGaia
Abbott	Bolivia	BioGaia Gastrus tablets	BioGaia
BioGaia	Sweden	BioGaia Osfortis capsules, BioGaia Prodentis lozenges	BioGaia
BioGaia Japan	Japan	BioGaia Prodentis MUM lozenges	BioGaia
Abbott	Thailand	BioGaia Gastrus, BioGaia Protectis tablets	BioGaia
EwoPharma	Bulgaria	BioGaia Protectis capsules	BioGaia
Everidis	USA	BioGaia Prodentis lozenges, BioGaia Protectis MUM capsules	BioGaia

Financial performance in 2020

Sales Consolidated net sales amounted to SEK 747.1 million (768.3) which is a decrease of SEK 21.2 million (-3%) (excluding foreign exchange effects, -2%) compared to the previous year. Product sales decreased by 3% (excluding foreign exchange effects, -2%).

Sales in EMEA amounted to SEK 372.6 million (399.6), a decrease of 7%, which was due to lower sales within the Paediatrics segment while sales within Adult Health increased. The lower sales within Paediatrics were mainly attributable to Italy, South Africa and Spain. The increased sales within Adult Health were mainly attributable to Belgium and France.

Sales in APAC amounted to SEK 170.7 million (177.0), a decrease of 4%. The Adult Health segment decreased while the Paediatrics segment increased. Sales within Adult Health decreased mainly in Hong Kong, China and South Korea. Within the Paediatrics segment sales increased mainly in China, Indonesia and Vietnam.

Sales in the Americas totalled SEK 203.7 million (191.8), an increase of 6%, which was due to increased sales within the Paediatrics and Adult Health segments. The increased sales within both segments were mainly attributable to the USA.

Sales by segment

● **Paediatrics Segment** Sales in the Paediatrics segment amounted to SEK 583.1 million (600.1), a decrease of 3% (excluding foreign exchange effects, -2%). Product sales in Paediatrics amounted to SEK 570.8 million (585.1), a decrease of 2%.

Sales of BioGaia Protectis drops decreased compared to the corresponding period last year. Sales increased in APAC and the Americas, but decreased in EMEA. In APAC, sales increased primarily in China and Vietnam and in the Americas sales increased mainly in the USA, Canada and Peru. In EMEA, sales of drops decreased primarily in Italy and South Africa while sales increased in Germany and Belgium.

Sales of BioGaia Protectis tablets within Paediatrics decreased compared to the corresponding period last year. The decrease was due to lower sales in APAC, EMEA and the Americas. In APAC, sales decreased mainly in South Korea which was partly offset by higher sales in Taiwan. In EMEA, sales decreased primarily in Spain and South Africa which was partly compensated by higher sales in France and Romania. Sales decreased slightly in the Americas, mainly in the USA.

● **Adult Health Segment** Sales in the Adult Health segment amounted to SEK 161.2 million (167.3), a decrease of 4% (excluding foreign exchange effects, -2%). Product sales amounted to SEK 148.6 million (157.8), a decrease of 6%.

Sales of BioGaia Protectis tablets decreased compared to the corresponding period last year. Sales decreased in APAC and the Americas and rose slightly in EMEA. In APAC, sales decreased primarily in Hong Kong, China and Australia which was partly compensated by higher sales in Japan. Sales in EMEA increased primarily in Belgium which was partly counteracted by lower sales in Finland and South Africa.

Sales of BioGaia Gastrus increased compared to the corresponding period last year. Sales increased in EMEA and decreased in the Americas and APAC. In EMEA, sales increased mainly in Spain and France. In the Americas, sales decreased primarily in the USA while sales in APAC decreased mainly in China.

Sales of BioGaia Prodentis decreased compared to the corresponding period last year. Sales decreased in APAC, mainly in Japan, while they increased in EMEA and the Americas. In EMEA sales increased primarily in Germany and in the Americas sales increased in the USA.

Gross margin The total gross margin amounted to 73% (73%). The gross margin for the Paediatrics segment amounted to 74% (74%). The gross margin for the Adult Health segment amounted to 70% (70%).

Operating expenses and operating profit Operating expenses amounted to SEK 318.8 million (321.5), a decrease of SEK 2.7 million. Excluding other operating expenses (exchange losses/gains) operating expenses decreased by 4%.

Selling expenses amounted to SEK 171.6 million (184.3), a decrease of 7%, mainly due to reduced marketing activities as a result of Covid-19 which were partly offset by increased personnel costs due to a higher number of employees. R&D expenses amounted to SEK 104.7 million (105.1), a decrease of 0.4%. R&D expenses include costs for the subsidiaries MetaboGen AB and BioGaia Pharma AB of SEK 26.8 million (21.4). The decrease in R&D expenses excluding costs for MetaboGen AB and BioGaia Pharma AB is mainly attributable to lower study and travel expenses due to Covid-19 which were partly offset by higher personnel costs.

Administrative expenses amounted to SEK 26.1 million (24.6), an increase of 6%.

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK 16.3 million (7.5). Operating profit amounted to SEK 228.2 million (242.5), a decrease of 6%. The operating margin was 31% (32%).

Operating profit excluding other operating expenses (exchange losses/gains) amounted to SEK 244.5 million (250.0), a decrease of 2%.

Profit after tax and earnings per share Profit after tax amounted to SEK 179.7 million (187.3) a decrease of 4%. Earnings per share amounted to SEK 10.07 (10.72)¹. No dilutive effects arose. The effective tax rate was 21% (23%).

Balance sheet 31 December Total assets amounted to SEK 1,913.3 million (665.9). Most of the increase compared to the previous year is explained by the new issue but investments in BioGaia Production as well as higher right-of-use assets contributed to the increase.

Current assets and particularly trade receivables decreased compared to the previous year due to lower sales. Current liabilities increased compared to the start of the year. This is explained by the fact that the liability to settle the final part of the MetaboGen acquisition is expected to take place during 2021 and is thus recognised as current.

Cash flow Cash flow amounted to SEK 1,256.6 million (-72.3) for the full year. Cash flow from operating activities increased by SEK 73.4 million. The increase in cash flow in operations is due to a positive change in working capital.

Investments in property, plant and equipment amounted to SEK 16.1 million (32.3). Depreciation amounted to SEK 20.5 million (15.6).

Cash flow from financing activities was affected by the new issue which added SEK 1,126.8 million net of emission costs. Cash and cash equivalents at 31 December 2020 amounted to SEK 1,467.9 million (213.8).

Parent Company The Parent Company's net sales amounted to SEK 699.3 million (720.7) and profit before tax was SEK 174.7 million (199.6). Impairment was recognised of shares in a subsidiary corresponding to the group contribution for the year. The financial performance of the Parent Company is in all material respects in line with that of the Group.

Research and development

BioGaia has an extensive research network and collaborates with universities and hospitals around the world including the Swedish University of Agricultural Sciences (SLU) in Uppsala, Sweden, the Karolinska Institute in Stockholm, Sweden, Sahlgrenska University Hospital in Gothenburg, Sweden, Texas Children's Hospital in the USA and the University Hospitals of Bari and Turin, Italy.

BioGaia's strains of *L. reuteri* are among the most studied probiotics in the world, especially in young children. To date, 220 clinical studies with BioGaia's human strains of *L. reuteri* have been performed on around 18 000 individuals of all ages.

Studies have been performed on:

- Infantile colic and digestive health in children
- Antibiotic-associated diarrhoea (AAD)
- Acute diarrhoea
- Gingivitis (inflammation of the gums)
- Periodontal disease
- General health
- *Helicobacter pylori* (the gastric ulcer bacterium)
- Low bone density

REPORTING CLINICAL STUDIES

In order to ensure transparency and aim for the highest possible scientific standards, BioGaia encourages researchers to design studies and report results in a way that enables publication in well-renowned medical journals. The aim is that all studies, regardless of result, should be published. Furthermore, BioGaia requires all studies to be ethically approved and registered on a public website, such as ClinicalTrials.gov.

¹ The subscription price at the directed new issue announced in October 2020 amounted to SEK 400 per share which corresponded to 94 % of the share's fair value on the date of the new issue. A bonus issue element has been taken into account in the calculation of earnings per share before and after dilutive effects, which means that the comparative figure has been recalculated. There are no other dilutive effects.

Environmental information

BioGaia has a fundamentally ethical and environmentally friendly mission, namely to conduct research and development aimed at offering clinically proven, health-enhancing and user-friendly probiotic products.

BioGaia shows its commitment to the environment by:

- striving to use eco-friendly packages
- encouraging its suppliers and distributors to take environmental aspects into account in their decisions
- measuring the climate impact of the company and its products and compensating for its carbon dioxide emissions

In 2017, BioGaia established an independent foundation (The Foundation to Prevent Antibiotic Resistance). The aim of the Foundation is to reduce antibiotic resistance through support to research, education and information activities. The goal is for this to promote the use of products and methods that prevent infections or in other ways reduce the use of antibiotics. In a longer perspective, this will also have positive effects on the environment.

BioGaia conducts no operations that are subject to permit or notification requirements.

For more information, see the company's Sustainability Report.

Business risks and uncertainties

BioGaia's operations are associated with both risks and opportunities of various types. Certain risks are of a more general nature such as markets and countries, research and development, products and production, health and safety, environment, corruption and violation of human rights, while other risks are more specific to the company. The following section is not a complete risk analysis but gives an indication of the factors of significance for future development including sustainability risks.

GROUP

Intangible assets MetaboGen As of the balance sheet date, assets in the Group relating to MetaboGen are recognised at SEK 51.1 million consisting of R&D projects in progress (SEK 45.8 million) and Goodwill (SEK 5.3 million) attributable to the surplus value at the acquisition of MetaboGen in 2018. There is a risk that MetaboGen's research will not achieve the expected results and/or not have the profitability that is expected. Thereby there is a risk that the Group's assets will be written down. BioGaia has tested the intangible assets for impairment and does not consider that an impairment requirement exists on the balance sheet date. For more information, see Note 11.

BioGaia's partners BioGaia does not primarily sell directly to end-users but sells its products to distributors (partners) which then sell on the products. The agreements normally have a term of 3-7 years.

BioGaia is dependent on the distributors investing the resources necessary for marketing and sales. So that the company itself can influence this to a greater extent, BioGaia launched its own brand in 2006. Today many of BioGaia's partners sell wholly or partly under the BioGaia brand. BioGaia provides its partners with strong marketing support in the form of education, information about new clinical studies, speakers at symposia, marketing and PR support. There is a risk that BioGaia's partners will not perform according to the company's wishes. However, BioGaia has formulated its agreements so that it is possible to terminate the agreement if a distributor does not meet certain minimum sales targets.

Research and development BioGaia invests considerable sums in research, clinical studies and product development with the aim of developing products with proven health benefits. Even after pilot studies, there is always a risk that a project will be wholly or partly unsuccessful. BioGaia works with a range of research initiatives in which the company strives for a balance between low- and high-risk projects.

Research and clinical studies are carried out at universities and hospitals around the world. To ensure that the clinical studies are performed in accordance with the applicable regulations and provide reliable results, BioGaia's own staff are involved in parts of the work with clinical studies. The study agendas are always approved by BioGaia, the ethics committee and other relevant authorities. Agreements are signed with hospitals and universities in which they undertake to comply with the applicable regulatory requirements. BioGaia monitors the studies to ensure that they are conducted in a correct and ethical manner. BioGaia always urges the researchers to publish the results of their studies.

Intellectual property BioGaia's business activities are based on a large number of intellectual property rights, such as patents, trademarks, names of strains and Internet domains. The company works continuously to strengthen its intellectual property rights by protecting the company's products. The various patents have different terms but those covering the most used strains in BioGaia's products apply until 2026 and 2027.

There is always a risk of infringement of intellectual property. These rights are enforced on an ongoing basis, but there are no guarantees that future infringements will not cause the company damage. BioGaia continuously monitors its business environment.

Regulatory affairs BioGaia's products are currently sold in more than 100 countries around the world. Due to their differing regulatory systems, the length of time between contract and product launch varies between countries. In most countries the products are registered as food supplements but in a few markets they are registered as a category of pharmaceutical.

In the EU, the use of nutrition and health claims for food is regulated by the European Food Safety Authority (EFSA). The EFSA rules apply to food products that are marketed to consumers with various claims about preventative health effects. In order to make a health claim for a product and in marketing, EFSA approval is required.

There is always a risk that the rules will be changed in the different markets with a resulting negative impact on sales at least for a period.

To minimise this risk and be proactive, BioGaia's regulatory department works closely with equivalent functions at distributors/partners which monitor local regulations.

Employees BioGaia's operations are wholly dependent on the employees' expertise, and they therefore constitute the company's most valuable resource. In order to attract and retain skilled and motivated employees, BioGaia strives to create a culture in which all employees are given the opportunity to develop, influence their own work situation and maintain a good balance between work and leisure in order to avoid stress. The company continuously evaluates the current staffing situation and the need for recruitment.

Product liability BioGaia sells food supplements. There is a risk that a consumer could experience damage and claim that this damage is attributable to BioGaia's product. This risk also exists in clinical studies.

For BioGaia, the top priority has always been to ensure that the products that are manufactured and offered to customers are of a high quality and are safe to use. The employees concerned are given relevant training in product safety. The agreements with BioGaia's suppliers include quality requirements and the company has processes in place to ensure that the suppliers comply with the agreements.

Business ethics BioGaia's business model is based on three networks – Research, Production and Distribution. BioGaia's products are sold in more than 100 countries, which means that the brand is exposed all over the world.

To ensure that all parties perform their duties in an ethical and, according to BioGaia, correct manner, BioGaia adopted a Code of Conduct in 2017. The Code of Conduct contains minimum requirements in areas such as human rights, labour rights, environment and business ethics and anti-corruption. For further information, see the company's Sustainability Report.

With regard to the research network, BioGaia encourages a sufficiently high level in the design of the studies and reporting of results to enable publication in respected medical journals and thereby ensure the highest possible scientific standards. Furthermore, BioGaia requires that before participants are accepted, the study must be registered on a public site, such as ClinicalTrials.gov. The goal is to publish all studies regardless of the results.

Sustainable supply chain BioGaia's ambition is to take responsibility and give consideration to sustainability risks and delivery accuracy risks throughout the entire value chain, from suppliers via distributors and all the way to the consumer.

One key component of BioGaia's business model is the effort to build close and long-term relationships with a small number of suppliers. BioGaia's aim is to always have a least two independent suppliers if this is commercially viable. All suppliers must read and sign BioGaia's Supplier Code of Conduct.

PARENT COMPANY

Subsidiary BioGaia Pharma AB Operating profit for the period amounted to SEK -9.4 million (-7.0). On the balance sheet date, assets in BioGaia Pharma were reported at SEK 21.1 million in the Parent Company. Since the company is not profitable, there is a risk of impairment of these assets in the Parent Company.

Impairment was recognised during the year corresponding to a group contribution provided. BioGaia has tested the remaining financial assets for impairment and considers there is no indication of impairment on the balance sheet date.

Subsidiary CapAble AB The company is dormant. Profit before tax and group contribution for 2020 amounted to SEK -1.3 million (-1.3). On the balance sheet date, impairment was recognised on the entire shareholding in CapAble which had an earnings impact of SEK - 1.3 million in the Parent Company.

Subsidiary MetaboGen AB The company conducts research and development projects. Operating profit for the period amounted to SEK -10.0 million (-7.1). On the balance sheet date, assets in the Parent Company relating to MetaboGen were recognised at SEK 89.3 million. Since the company does not yet have a positive cash flow, there is a risk of impairment of these assets in the Parent Company. Impairment was recognised during the year corresponding to a group contribution provided. BioGaia has tested the remaining financial assets for impairment and considers there is no indication of impairment on the balance sheet date.

Financial risk management

The overall objective of the Group's finance function is to secure cost-effective financing for the Group's operations and group companies and to provide secure cash management with a market-based return on investment. The overall objective of financial risk management is to minimise the risk of negative effects on the Group's earnings. Consequently, the Group's financial investments must have a low risk profile.

Below is a description of the Group's assessed risk exposure and the related risk management. For more information, see Note 27.

Currency risk BioGaia has revenue primarily in EUR and USD but also in SEK, JPY and CHF and expenses primarily in SEK, but also in EUR, JPY and USD. In 2020 the company had a cash flow surplus of approximately EUR 20.1 million (19.6), a cash flow deficit of JPY -112.4 million (-64.1) and a cash flow surplus of USD 24.2 million (22.2). The company previously had forward exchange contracts in EUR and USD. For more information, see Note 27.

Interest rate and liquidity risk The Group has no external loans. The company's interest rate risk consists of the return on cash and cash equivalents. The Board has issued a liquidity policy for cash and cash equivalents in which the basic principle is that investment risks should always be minimised and investments should be made primarily in Swedish kronor. To minimise currency risk, other currencies may also be considered. The company's cash and cash equivalents may be invested only in bank accounts, commercial paper or other fixed income securities with very limited risk. This means that no investments may be made in shares, equity funds, options, etc.

Credit risks BioGaia's credit risks are tied to trade receivables. Customers have a 30-90 day credit period. When signing agreements with new customers, an assessment is made of the customer's financial position. The company has routines for collection of past due accounts receivable and additional evaluations of the customer's financial position are carried out when required in order to minimise risks.

Cash flow risk BioGaia has good liquidity which was further strengthened by the new issue in 2020. The risk of a liquidity shortage is therefore immaterial. Cash flow amounted to SEK 1,256.6 million (-72.3). Cash flow includes dividends of SEK- 65.0 million (- 173.4). Cash and cash equivalents at 31 December 2020 amounted to SEK 1,467.9 million (213.8).

Price risk BioGaia buys most of its goods on the international market and has several alternative suppliers, which reduces the company's price risk.

BioGaia's price to distributors is largely the same for all customers, but can vary with respect to the order volume. Certain markets are subject to aggressive price competition towards consumers. However, BioGaia's strategy is not to compete in terms of price but to instead convince doctors of the effectiveness and safety of the products by showing the results of clinical studies.

Covid-19 pandemic The year 2020 was marked by the Covid-19 pandemic and its impact on the world at large and on BioGaia. In several of BioGaia's largest markets, such as Italy and Spain, BioGaia saw reduced sales during the year. In these countries, as in most other countries in which BioGaia operates, medical marketing is still the main business model. Due to the Covid-19 situation, Bio-

Gaia's distributors' sales forces have not been able to visit doctors and pharmacy staff, which are our key target groups for medical marketing, to the same extent as previously. Furthermore, the long-term lockdown in many countries has meant that consumers have had limited opportunities to visit the principal sales channels for BioGaia's products – physical pharmacies, hospitals and, in Japan, dental surgeries. BioGaia therefore sees that sales and earnings were negatively affected in during the year.

BioGaia has been forced to adapt to the current situation and to change how the company works with marketing and sales. For example, BioGaia has not taken part in international fairs and symposia, since these have been cancelled, but has instead focused more on supporting its partners with marketing material that can be used online. Furthermore, BioGaia's employees have not been able to visit customers face-to-face but have used telephone and video meetings. BioGaia has not carried out any staff reductions or layoffs due to the pandemic. Nor has BioGaia taken part in any support programme with the exception of reduced employer contributions in Sweden and a government stimulus programme in Japan.

BioGaia has a strong financial position but a prolonged pandemic can even have a negative impact on a stable company such as BioGaia. A deterioration in the financial position and ability to pay of our distribution partners can lead to longer payment times but also credit losses. Furthermore, disruptions in BioGaia's production and at external suppliers or in logistics can result in BioGaia being unable to deliver products with an ensuing loss of revenue. Depending on how drawn-out this pandemic becomes, there is a risk of a challenging start to 2021.

Future outlook

BioGaia's goal is to create strong value growth and a good return for the shareholders. This will be achieved through a greater emphasis on the BioGaia brand, increased sales to both existing and new customers and a controlled cost level.

In view of the company's strong product portfolio consisting of an increased number of innovative products that are sold predominantly under the BioGaia brand, successful clinical trials and an expanding distribution network that covers a large share of the key markets, BioGaia's future outlook looks bright.

Financial target and dividend policy The long-term financial target is an operating margin (operating profit in relation to sales) of at least 34% with continued strong growth and increased investments in research, product development, brand building and the sales organisation.

Historically the dividend policy was to pay a shareholder dividend equal to 40% of profit after tax. This policy was revised in 2021 and the shareholder dividend is now equal to 50% of profit after tax in the Parent Company.

Employees

The number of employees in the Group at 31 December 2020 was 160 (157).

The company has a bonus programme aimed at ensuring employees' long-term commitment to BioGaia. The programme is designed as follows:

The bonus is based on the company's sales and profits. The maximum bonus amounts to 12% of salary. The employee is required to reinvest one-third of the yearly paid-out bonus (after tax) in BioGaia class B shares at a market price and to hold these for a three-year period. BioGaia has no obligation to repurchase shares nor does the employee have any obligation to sell shares in the event employment is terminated within three years from the date reinvestment took place. The bonus targets were not met in the Parent Company in 2020 and the cost for the Group amounted to SEK 0.1 million (2.2).

See Note 3 for additional information about employees and personnel expenses.

The adoption of guidelines for remuneration to senior executives by the Annual General Meeting 2020

The 2020 Annual General Meeting adopted the following guidelines for remuneration of senior executives.

These guidelines are valid until the Annual General Meeting in 2024 unless a General Meeting resolves differently. The guidelines do not apply to remuneration resolved by the General Meeting.

The guidelines' promotion of BioGaia's business strategy, long-term interests and sustainability BioGaia performs research and development to provide consumers with clinically-proven, health-promoting, patented and user-friendly probiotic products.

Successful implementation of the business strategy and safeguarding BioGaia's long-term interests, including its sustainability, require BioGaia to be able to recruit, motivate and retain competent employees who work to achieve maximum shareholder and customer value. This requires BioGaia to be able to offer competitive remuneration. These guidelines enable senior executives to be offered competitive total remuneration.

Forms of remuneration, etc. Remuneration shall be market-based and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The Annual General Meeting may in addition – and independent of these guidelines, resolve on for example share-related and share-price based remuneration. The total remuneration package to senior executives should include a well-balanced mix of the above-named components as well as terms of notice and severance pay. The Board should annually evaluate the extent to which share-based or share-price based long-term incentive programmes should be proposed to the Annual General Meeting.

The fixed cash salary shall be individual and based on the senior executive's responsibilities and role as well as the individual's competence and experience in the relevant position.

The variable cash remuneration may amount to a maximum of 25% of fixed annual cash salary.

Senior executives who are entitled to pensions shall have pension benefits that are defined contribution. Variable cash remuneration shall not qualify for pension benefits. Pension premiums for defined contribution pensions shall amount to a maximum of 30% of fixed annual cash salary.

Other benefits may include life insurance, health insurance (Sw: sjukvårdsförsäkring) and a company car benefit. Such benefits shall be of limited value in relation to other compensation and be consistent with what is customary in the respective geographical market. Other benefits may amount to a maximum of 5% of fixed annual cash salary.

Termination of employment In the event of termination of employment the maximum notice period is eighteen months. Fixed cash salary during the notice period plus any severance pay may not together exceed an amount equivalent to the individual's fixed cash salary for a two-year period. In case of termination by the senior executive, the notice period may not be less than three months and no severance pay will be paid.

Criteria for distribution of variable cash remuneration, etc. Variable cash remuneration shall be linked to pre-determined and measurable criteria which may be financial or non-financial. It can also comprise individually adapted quantitative or qualitative targets. The criteria shall be designed so that they promote the Group's business strategy and long-term interests, including its sustainability, through for example having a clear link to BioGaia's business strategy or promoting the senior executive's long-term development.

Fulfillment of the criteria for payment of variable cash remuneration shall be measured during a period of one year. When the measurement period for fulfillment of the criteria for payment of variable cash remuneration has ended, the extent to which the criteria have been met shall be determined. The Remuneration Committee is responsible for assessment with regard to variable cash remuneration to the CEO. As regards variable cash remuneration to other senior executives, the CEO is responsible for the assessment.

Salary and terms of employment for employees In preparation of the Board's proposal for these remuneration guidelines, salaries and terms of employment for the company's employees have been taken into account through information on employees' total remuneration, remuneration components as well as remuneration increases and rate of increase over time comprising a part of the Remuneration Committee's and the Board's basis for decision when evaluating the reasonableness of these guidelines and the limitations that are a consequence of them.

Decision-making process to establish, review and implement the guidelines

The Board has established a Remuneration Committee. The tasks of the committee include preparation of the Board's proposal for decision on guidelines for remuneration to senior executives. The Board shall prepare proposals for new guidelines at least every fourth year and present the proposal for decision to the Annual General Meeting. The guidelines shall apply until new guidelines are adopted by the Annual General Meeting. The Remuneration Committee shall also monitor and evaluate programmes for variable remuneration to Executive Management, application of the guidelines for remuneration to senior executives as well as applicable remuneration structures and remuneration levels in the

Group. The members of the Remuneration Committee are independent in relation to BioGaia and Executive Management. When the Board considers and makes decisions on remuneration-related matters, the CEO or other senior executives are not present insofar as they are affected by the issues.

Departure from the guidelines The Board may decide temporarily to depart from the guidelines wholly or partly if in an individual case there is reason for this and such departure is necessary in order to meet BioGaia's long-term interests, including its sustainability, or in order to ensure BioGaia's financial viability. As stated above, the tasks of the Remuneration Committee include preparing the Board's decision on remuneration matters, which includes decisions to depart from the guidelines.

Most recently adopted guidelines regarding remuneration and other terms of employment for senior executives

The most recently adopted guidelines correspond to those that were proposed to the AGM 2020 (see above).

Corporate governance

BioGaia has published a separate corporate governance report. See pages 81-84.

Sustainability report

In accordance with Chapter 6, §11 of the Swedish Annual Accounts Act, BioGaia has chosen to prepare the statutory sustainability report separate from the annual report. The sustainability report includes BioGaia AB and its subsidiaries.

Proposed appropriation of profits

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

Retained earnings	1,477,467,983
Profit for the year	137,669,744
Profits available for appropriation	1,615,137,727

The Board of Directors proposes that the profits be appropriated as follows

To be paid as a dividend to the shareholders*	68,869,935
Provision to The Foundation to Prevent Antibiotic Resistance	2,800,000
To be carried forward to new account	1,543,467,792
Total	1,615,137,727

*) The proposed dividend consists of a dividend of SEK 3.41 (3.75) per share according to policy.



Five-year summary

KEY RATIOS	2020	2019	2018	2017	2016
Total net sales, SEKm	747.1	768.3	741.9	615.0	534.7
Net sales, Paediatrics segment, SEKm	583.1	600.1	596.5	492.6	433.0
Net sales, Adult Health segment, SEKm	161.2	167.3	141.7	116.2	85.3
Other net sales, SEKm	2.8	0.9	3.7	6.3	16.4
Operating profit, SEKm ¹⁾	228.2	242.5	277.4	233.0	199.4
Profit before tax, SEKm ¹⁾	227.6	242.3	277.6	232.9	196.1
Profit after tax, SEKm ¹⁾	179.7	187.3	214.2	180.6	159.3
Profit after tax including discontinued operations, SEKm	179.7	187.3	214.2	180.6	227.3
Profit after tax attributable to owners of the Parent Company, SEKm ¹⁾	179.7	187.3	214.2	180.6	159.3
Growth, net sales, %	-3	4	21	15	11
Operating margin, % ¹⁾	31	32	37	38	37
Profit margin, % ¹⁾	30	32	37	38	37
Equity/assets ratio, %	91	76	77	81	85
Capital employed, SEKm	1,757.6	518.2	514.8	464.7	415.5
Return on capital employed, % ¹⁾	20	47	57	53	49
Return on equity, %	16	37	44	41	56
Average number of employees ¹⁾	157	149	130	115	108
DATA PER SHARE					
Number of shares at 31 December, thousands ²⁾	20,196	17,336	17,336	17,336	17,336
Average number of shares, thousands	17,855	17,474	17,336	17,336	17,336
Earnings per share, continuing operations, SEK ¹⁾	10.07	10.72	12.40	10.42	9.19
Earnings per share before dilution, SEK ^{3) 5)}	10.07	10.72	12.40	10.42	13.13
Earnings per share after dilution, SEK ^{3) 5)}	10.07	10.72	12.40	10.42	13.13
Equity per share, SEK ⁵⁾	97.80	29.06	29.13	26.76	23.95
Equity per share after dilution, SEK ⁵⁾	97.80	29.06	29.13	26.76	23.95
Share price on balance sheet date, SEK	537	424.5	317.50	326.00	300.00
Dividend per share, SEK	3.41⁴⁾	3.75 ⁴⁾	10.00	9.00	7.50

¹⁾ Excluding discontinued operations. The subsidiary IBT was distributed to shareholders in 2016.

²⁾ Share capital consists of 740,668 class A shares and 19,455,794 class B shares. The quota value is SEK 1.

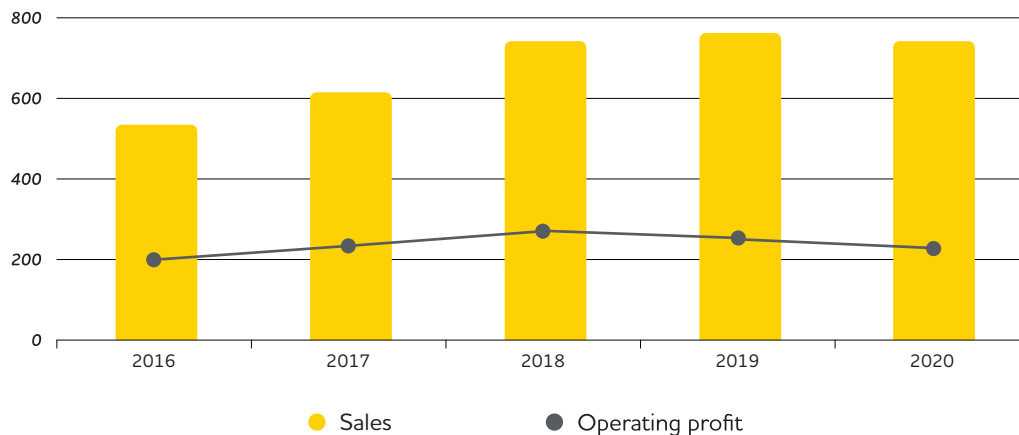
³⁾ Key ratios defined according to IFRS.

⁴⁾ Dividend proposed but not yet approved.

⁵⁾ The subscription price at the directed new issue announced in October 2020 amounted to SEK 400 per share which corresponded to 94 % of the share's fair value on the date of the new issue. A bonus issue element has been taken into account in the calculation of earnings per share before and after dilutive effects, which means that the comparative figure has been recalculated. There are no other dilutive effects.

For definitions of key ratios, see page 66.

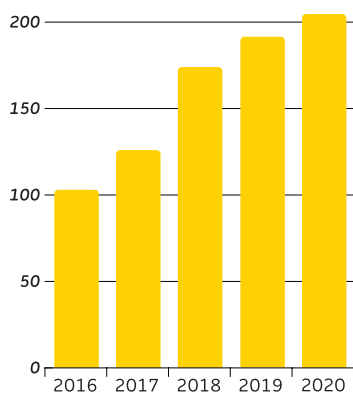
Five-year development, sales and operating profit (EBIT), SEKm



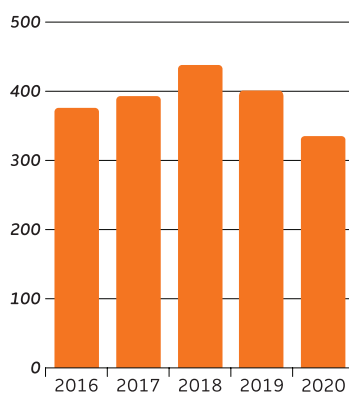
Sales by geographical market, SEKm



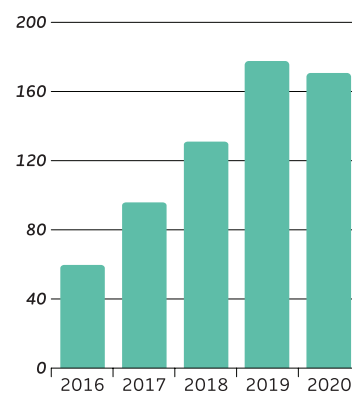
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ASIA PACIFIC



Group

Statement of comprehensive income

Amounts in SEK 000s	Note	2020	2019
Net sales	2	747,077	768,347
Cost of sales	2	-200,159	-204,349
Gross profit	2	546,918	563,998
Selling expenses	4	-171,634	-184,327
Administrative expenses	2, 4	-26,128	-24,609
Research and development expenses	2, 7, 11	-104,663	-105,051
Other operating income	5	1,084	-
Other operating expenses	6	-17,427	-7,500
Operating profit		228,150	242,511
Financial income	8	155	416
Financial expenses	9	-722	-668
Net financial items		-567	-252
Profit before tax		227,583	242,259
Tax	10	-47,853	-55,001
PROFIT FOR THE YEAR		179,730	187,258
<i>Items that may be reclassified subsequently to profit or loss:</i>		-	-
Gain/losses arising on translation of the financial statements of foreign operations:		-4,059	415
Comprehensive income for the year		175,671	187,673
<i>Profit for the year attributable to:</i>			
Owners of the Parent Company		179,730	187,347
Non-controlling interests		-	-89
		179,730	187,258
<i>Comprehensive income for the period attributable to:</i>			
Owners of the Parent Company		175,671	187,762
Non-controlling interests		-	-89
		175,671	187,673
Earnings per share			
Earnings per share, SEK*		10.07	10.72
Number of shares, thousands		20,196	17,336
Average number of shares, thousands*		17,855	17,474

*) The subscription price at the directed new issue announced in October 2020 amounted to SEK 400 per share which corresponded to 94 % of the share's fair value on the date of the new issue. A bonus issue element has been taken into account in the calculation of earnings per share before and after dilutive effects, which means that the comparative figure has been recalculated. There are no other dilutive effects.

Statement of cash flows

Amounts in SEK 000s	Note	2020	2019
Operating activities			
Operating profit		228,150	242,511
<i>Adjustments for non-cash items:</i>			
Depreciation/Amortisation		20,530	15,593
Unrealised gains/losses on forward exchange contracts		-4,876	5,085
Revaluation of former associate shareholding		-	-
Other non-cash items		1,167	-2,010
		244,971	261,179
Interest received		157	441
Interest paid		-803	-694
Taxes paid		-72,092	-72,292
Cash flow from operating activities before changes in working capital		172,233	188,634
<i>Cash flow from changes in working capital:</i>			
Inventories		-2,347	-23,948
Current receivables		47,043	-4,729
Trade payables		19,798	-5,620
Current interest-free operating liabilities		-15,471	-6,482
Cash flow from operating activities		221,256	147,855
<i>Investing activities:</i>			
Purchase of property, plant and equipment	13	-16,075	-32,316
Purchase of intangible assets	11	-	-6,708
Cash flow from investing activities		-16,075	-39,024
<i>Financing activities:</i>			
Dividend		-65,012	-173,365
Amortisation lease liability	29	-7,632	-4,525
Provision to foundation		-2,800	-3,200
New issue, net		1,126,840	-
Cash flow from financing activities		1,051,396	-181,090
CASH FLOW FOR THE YEAR		1,256,577	-72,259
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		213,831	284,962
Exchange difference in cash and cash equivalents		-2,525	1,128
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,467,883	213,831

Statement of financial position

Amounts in SEK 000s	Note	31 Dec 2020	31 Dec 2019
ASSETS			
<i>Non-current assets:</i>			
Research and development project in progress	11	50,322	52,558
Goodwill	11	5,300	5,300
Right-of-use assets	12	28,861	20,295
Property, plant and equipment	13	133,904	128,747
Deferred tax assets	10	5,279	6,518
Deposits		39	44
Total non-current assets		223,705	213,462
<i>Current assets:</i>			
Inventories	16	72,277	68,445
Trade receivables	17, 21	98,511	124,916
Other receivables	19	41,538	26,553
Deferred expenses and accrued income	20	9,368	13,710
Short-term investments	21	-	4,983
Cash and cash equivalents	21	1,467,883	213,831
Total current assets		1,689,577	452,438
TOTAL ASSETS		1,913,282	665,900

Statement of financial position

Amounts in SEK 000s	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	22	2,196	17,336
Other contributed capital		1,149,483	21,831
Reserves		-2,020	2,039
Retained earnings		398,854	279,319
Profit for the year attributable to owners of the Parent Company		179,730	187,347
Total equity attributable to owners of the Parent Company		1,746,243	507,872
Non-controlling interests	14, 18	2	2
Total non-controlling interests		2	2
Total equity		1,746,245	507,874
<i>Non-current liabilities:</i>			
Deferred tax liability	10	11,312	10,339
Other liabilities	27	20,663	22,887
Total non-current liabilities		31,795	33,226
<i>Current liabilities:</i>			
Prepayments from customers	21	11,312	20,165
Trade payables	21	48,046	28,491
Current tax liabilities	24	1,170	3,973
Other liabilities	24	25,939	18,258
Accrued expenses and deferred income	25	48,723	53,913
Total current liabilities		135,062	124,800
Total liabilities		167,037	158,026
TOTAL EQUITY AND LIABILITIES		1,913,282	665,900

Statement of changes in equity

Amounts in SEK 000s	Share capital	Other contributed capital	Foreign currency translation reserve	Retained earnings	Profit for the year	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
Opening balance, 1 January 2019	17,336	21,831	1,537	249,388	214,890	504,982	3,139	508,121
<i>Effect of change of accounting standard</i>								
Dividend				-173,365		-173,365		-173,365
Provision to foundation				-3,200		-3,200		-3,200
Transaction between owners related to further acquisition of shares in MetaboGen				-8,393		-8,393	-3,137	-11,530
Total transactions with owners	0	0	0	-184,958	0	-184,958	-3,137	-188,095
<i>Carried forward</i>				214,890	-214,890			
Profit for 2019					187,347	187,347		187,347
<i>Other comprehensive income</i>								
Translation differences on translation of foreign operations			501			501		501
Comprehensive income for the year	0	0	501	0	187,347	187,848		187,848
Closing balance, 31 December 2019	17,336	21,831	2,038	279,320	187,347	507,872	2	507,874
Opening balance, 1 January 2020	17,336	21,831	2,038	279,320	187,347	507,872	2	507,874
Dividend				-65,012		-65,012		-65,012
Provision to foundation				-2,800		-2,800		-2,800
New issue, net	2,860	1,127,652				1,130,512		1,130,512
Total transactions with owners	2,860	1,127,652	0	-67,812	0	1,062,700		1,062,700
<i>Carried forward</i>				187,347	-187,347			
Profit for 2020					179,730	179,730		179,730
<i>Other comprehensive income</i>								
Translation differences on translation of foreign operations			-4,059			-4,059		-4,059
Comprehensive income for the year	0	0	-4,059	0	179,730	175,671	0	175,671
Closing balance, 31 December 2020	20,198	1,149,483	-2,021	398,855	179,730	1,746,243	2	1,746,245

Parent Company

Income statements

Amounts in SEK 000s	Note	2020	2019
Net sales	2	699,349	720,730
Cost of goods sold	2	-241,555	-246,478
Gross profit	2	457,794	474,252
Selling expenses	2	-138,162	-153,320
Administrative expenses	4	-24,306	-23,523
Research and development expenses	2, 7, 11	-84,063	-90,920
Other operating expenses	5	-16,943	-7,451
Operating profit		194,320	199,038
<i>Result from financial investments</i>			
Impairment loss on shares in group companies	14	-20,756	-1,297
Interest income and similar profit/loss items	8	1,169	1,885
Net financial items		-19,587	588
Profit before tax		174,733	199,626
Tax on profit for the year Tax	10	-37,061	-36,948
PROFIT FOR THE YEAR		137,672	162,678

The Parent Company has no transactions in other comprehensive income, which means that comprehensive income for the year corresponds to profit for the year above. As a result, the Parent Company presents no separate statement of comprehensive income.

Cash flow statement

Amounts in SEK 000s	Note	2020	2019
Operating activities			
Operating profit		194,320	199,038
<i>Adjustments for non-cash items:</i>			
Depreciation		3,746	1,458
Other non-cash items		1,881	-1,773
		199,947	198,722
Interest received		1,279	1,886
Interest paid		-110	-
Forward exchange contracts		-4,876	5,085
Paid tax		-59,309	-59,401
Cash flow from operating activities before changes in working capital		136,931	146,293
<i>Cash flow from changes in working capital:</i>			
Inventories		4,108	-21,864
Current receivables		14,344	-1,454
Trade payables		19,826	-8,238
Current interest-free operating liabilities		9,594	4,734
Cash flow from operating activities		184,805	119,471
<i>Investing activities:</i>			
Purchase of property, plant and equipment	13	-807	-3,189
Purchase of intangible assets	11	-	-6,708
Shareholder contributions		-	-15,000
Repayment of loans from subsidiaries	15	25,000	10,000
Cash flow from investing activities		24,193	-14,897
<i>Financing activities:</i>			
Dividend		-65,012	-173,364
Provision for foundation		-2,800	-3,200
New issue, net		1,126,840	-
Cash flow from financing activities		1,059,028	-176,564
CASH FLOW FOR THE YEAR		1,268,026	-71,990
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		153,217	224,732
Exchange difference in cash and cash equivalents		-1,882	475
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,419,361	153,217

Balance sheet

Amounts in SEK 000s	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
<i>Intangible assets</i>	11		
Capitalised expenses for development		4,472	6,708
Total intangible assets		4,472	6,708
<i>Property, plant and equipment</i>	13		
Production equipment		5,685	6,223
Office equipment and computers		561	726
Total property, plant and equipment		6,246	6,949
<i>Financial assets</i>			
Investments in group companies	14	154,671	154,671
Receivables from group companies	15	10,835	35,835
Total financial assets		165,506	190,506
Total non-current assets		176,224	204,163
Current assets			
Inventories	16	49,154	53,262
<i>Current receivables</i>			
Trade receivables	17, 21	81,613	109,465
Receivables from group companies	18	24,988	6,889
Current tax assets	19	23,142	2,952
Other receivables	19	13,723	21,843
Deferred expenses and accrued income	20	5,393	8,279
Total current receivables		148,859	149,429
Short-term investments	21	–	4,984
Cash and cash equivalents	21	1,419,361	153,217
Total current assets		1,617,374	360,891
TOTAL ASSETS		1,793,598	565,054

Balance sheet

Amounts in SEK 000s	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		20,196	17,336
Other restricted equity		1,253	1,253
		21,449	18,589
<i>Non-restricted equity</i>			
Retained earnings		1,477,466	254,948
Profit for the year		137,672	162,678
	23	1,615,138	417,626
Total equity		1,636,587	436,216
Liabilities			
<i>Current liabilities</i>			
Prepayments from customers		200	186
Trade payables		39,040	19,214
Liabilities to group companies	18	72,564	56,634
Other liabilities	24	2,244	4,715
Accrued expenses and deferred income	25	42,963	48,089
Total current liabilities		157,011	128,838
Total liabilities		157,011	128,838
TOTAL EQUITY AND LIABILITIES		1,793,598	565,054

Statement of changes in equity

	Share capital	Other restricted equity	Retained earnings	Profit for the year	Total equity
Opening balance, 1 January 2019	17,336	1,253	255,914	175,599	450,102
Carried forward			175,599	–175,599	0
Dividend			–173,365		–173,365
Provision for foundation			–3,200		–3,200
Profit for 2019				162,678	162,678
Closing balance, 31 December 2019	17,336	1,253	254,948	162,678	436,216
Opening balance, 1 January 2020	17,336	1,253	254,948	162,678	436,216
Carried forward			162,678	–162,678	
Dividend			–65,012		–65,012
Provision for foundation			–2,800		–2,800
New issue, net	2,860		1,127,652		1,130,512
Profit for 2020				137,672	137,672
Closing balance, 31 December 2020	20,196	1,253	1,477,466	137,672	1,636,587

Notes to the financial statements and accounting policies

All figures in SEK 000s unless otherwise specified. Figures in brackets refer to the previous year.

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NOTE 1 ACCOUNTING POLICIES

COMPLIANCE WITH NORMS AND LAWS The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) that have been approved by the European Commission for application in the EU.

The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, i.e. the same accounting policies as the Group except in cases where the Parent Company's compliance with the Swedish Annual Accounts Act limits the applicability of IFRS in the Parent Company.

NEW OR REVISED IFRS STANDARDS APPLIES BY THE GROUP FROM 1 JANUARY 2020 *Amendments to IFRS 3 Business Combinations: Definition of a Business* The amendments are intended to clarify the definition of a business combination. The amendment introduces an optional fair value concentration test which enables a simplified assessment of whether an acquired set of activities and assets constitutes a business or asset acquisition. The test means that if substantively the entire fair value of the gross assets acquired can be attributed to an asset or group of similar assets, the acquisition does not constitute a business acquisition but an asset acquisition. The amendments are applied to all business and asset acquisitions with an acquisition date during or after the financial year that starts on 1 January 2020 or later. The amendments do not have a material impact on BioGaia.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform The amendments are an effect of reforms of interest rate benchmarks which include replacing normally used interest rate benchmarks (such as STIBOR, EURIBOR, LIBOR) with alternative, risk-free interest rate benchmarks (RFRs). IASB has eased the criteria for hedge accounting so that companies that apply hedge accounting can assume that the interest rate benchmark for the hedged item corresponds to the interest rate benchmark for the hedging instrument. The amendments will be applied in two phases, where the first started to apply on 1 January 2020. The amendments do not have a material impact on BioGaia.

Amendments to IAS 1 and IAS 8: Definition of Material The amendments provide clarification of the definition of material while the underlying meaning is unchanged. Nor may material information be hidden by immaterial information. The amendments started to apply on 1 January 2020 and have not had an impact on BioGaia.

Amendments to References to the Conceptual Framework in IFRS Standards A review of the conceptual framework has been carried out where the importance of stewardship for the financial reporting is emphasised and the concept of prudence is reintroduced. The amendments started to apply on 1 January 2020 and have had no impact on the financial statements.

Amendments to IFRS 16 Leases regarding Covid-19 According to IFRS 16 rent concessions and other financial incentives must be seen as a modification of the lease if the concession/relief was not included in the original lease. The amendment relates to a practical exemption for rent concessions that are directly related to Covid-19 and only if total lease payments decrease or are materially unchanged, and the concession affects payments due no later than 30 June 2021 and no other material amendments to the lease are made. In such cases, it is not necessary to make an assessment of the extent to which the change constitutes a modification of the lease. Concessions/relief are recognised in profit or loss in the period to which the concession relates and a disclosure is provided that the exemption rule is applied. The Amendment started to apply from 1 January 2020 and has had no impact on the financial statements.

NEW OR REVISED IFRS STANDARDS AND NEW INTERPRETATIONS NOT YET EFFECTIVE

The new and revised standards and new interpretations that have been issued, but are effective for financial years beginning on or after 1 January 2021, have not yet been adopted by the Group. Executive Management's assessment is that these standards and interpretations will not have a material impact on the consolidated financial statements.

BASIS OF PREPARATION The consolidated financial statements have been prepared on the historical cost basis unless otherwise specified. Non-current assets, non-current liabilities and provisions essentially consist of amounts that are expected to be recovered or settled more than 12 months after the closing date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or settled within 12 months from the closing date.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 28.

BASIS OF CONSOLIDATION The consolidated financial statements consolidate the operations of the Parent Company and the subsidiaries for the period ended 31 December 2020. The Parent Company controls the subsidiaries, and has the ability to affect returns from its involvement with the subsidiaries through its power over the subsidiaries. All subsidiaries have their balance sheet date on 31 December. All intragroup transactions and balances are eliminated in full on consolidation, including unrealised gains or losses arising from inter-company transactions. In cases where unrealised losses on intragroup sales of assets are reversed on consolidation, the underlying asset is tested for impairment also from a group perspective. When necessary, amounts reported in the financial statements of subsidiaries have been adjusted to ensure conformity with the accounting policies of the Group.

Profit/loss and other comprehensive income for subsidiaries that are acquired or sold during the year are recognised from the date on which the acquisition or sale went into force, according to what is applicable.

Non-controlling interests, which are recognised as a component of equity, represent the share of the subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes comprehensive income for the subsidiaries to owners of the Parent Company and non-controlling interests based on their respective holdings. Transactions involving the acquisition and disposal of shares in companies where there are non-controlling interests are recognised in the cash flow statement in "Cash flow from financing operations" and in the statement of changes in equity as "Transactions with owners".

ASSOCIATES Associates are companies over which the Group has a significant but not controlling interest. Investments in associates are accounted for according to the equity method on the acquisition date, and are thereafter adjusted by the company's share of changes in the associate's net assets.

PROVISION TO "FOUNDATION TO PREVENT ANTIBIOTIC RESISTANCE"

Provision to the Foundation to Prevent Antibiotic Resistance was approved at the AGM and is in accordance with the Swedish Companies Act, Chapter 17 section 5 on donations for charitable purposes. The provision is recognised as an equity transaction. Support for recognition of the provision in equity is found in the Conceptual Framework for Financial Reporting in the section Financial performance reflected by accrual accounting (1.17ff). BioGaia has made the assessment that the company does not have a controlling influence over the Foundation according to IFRS 10 which is why the Foundation is not consolidated. The assessment is based among other factors on the fact that the Foundation is an independent organ, that BioGaia has no right to proceeds (positive or negative) from the Foundation, that three out of five of the members of the board of the Foundation are external and that an external general secretary is responsible for the day-to-day management.

FOREIGN CURRENCY TRANSLATION

- **Functional currency** The functional currency is the currency of the primary economic environments in which the Group's companies operate.
- **Transactions** Foreign currency transactions are translated to the functional currency at the rate of exchange ruling on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the closing day rate. Exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities carried at cost are translated at the rate of exchange ruling on the transaction date. Non-

monetary assets and liabilities measured at fair value are translated to the functional currency using the rates of exchange applying on the date when the fair value was determined. Changes in value of operating receivables and liabilities are recognised in operating profit, while changes in value of financial receivables and liabilities are recognised in net financial items.

- **Derivatives** In 2020 the company has taken forward contracts in EUR and USD. The forward contracts are recognised at fair value through profit or loss. A financial asset or liability is taken up in the balance sheet when the company becomes party to the contractual terms of the instrument. The company changed its financial policy in 2020 and no new forward contracts have been taken since then.
- **Financial statements of foreign operations** Assets and liabilities in foreign group companies are translated from the group company's functional currency to the Group's presentation currency, Swedish kronor (SEK), at the closing day rate of exchange. Income and expenses in foreign operations are translated to SEK at an average rate that is a reasonable approximation of actual rates on the respective transaction dates. An average rate is computed quarterly. Exchange differences arising on translation of foreign group companies are recognised in other comprehensive income.
- **Net investments in group companies** Receivables from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, part of the company's net investment in that foreign operation. Exchange differences arising on translation of long-term loans in foreign currency that form part of the net investment in a foreign operation are deferred to a translation reserve in other comprehensive income

REPORTING BY SEGMENT Executive Management has analysed the Group's internal reporting and determined that the Group's operations are monitored and evaluated based on the following segments:

- **Paediatrics segment** drops, gut health tablets, oral rehydration solution (ORS) and cultures to be used as ingredients in licensee products (such as infant formula), as well as royalty revenue for paediatric products)
- **Adult Health segment** (gut health tablets, oral health lozenges and cultures as an ingredient in a licensee's dairy products).
- **Other** (royalties in respect of development projects, revenue from packaging solutions in the subsidiary CapAble, etc.)

Sales and gross profit are reported for the above segments and are monitored regularly by the CEO (who is regarded as the chief operating decision maker) together with Executive Management. There is no monitoring of the company's total assets and liabilities against the segments' assets.

IFRS 15 BioGaia applies IFRS 15 for revenue recognition. IFRS 15 includes a model for revenue recognition (the five-step model) that is based on when control of a good or service is transferred to the customer. The basic principle is that an entity recognises revenue to differentiate between the transfer of promised goods or services to customers and an amount that reflects the compensation to which the entity is expected to be entitled in exchange for such goods or services.

- Step 1. Identify the contract with a customer
 - Step 2. Identify the performance obligations in the contract
 - Step 3. Determine the transaction price
 - Step 4. Allocate the transaction price to each performance obligation
 - Step 5. Recognise revenue when a performance obligation is satisfied
- Revenue is recognised on the basis of the amount specified in a contract with a customer and does not include any amounts received on account of a third party. BioGaia recognises revenue when the Group transfers control of a product or service to a customer. Details of these new requirements and BioGaia's revenue streams are provided below.

REVENUE RECOGNITION BioGaia's revenues mainly comprise sales of goods. No commitment for BioGaia remains after delivery since BioGaia does not provide customers with any extended guarantees or the option to return. Control is transferred to the customer when the good is placed at the disposal of the purchaser.

In addition to the sales of goods, other revenues consist of royalties or exclusivity rights linked to product distribution in a defined market/territory. These contracts include obligations over time and revenue is recognised in pace with fulfilment of BioGaia's performance obligations. The transaction price, i.e. the compensation BioGaia expects to receive in exchange for the goods and services is in most cases fixed and therefore easy to determine. Variable compensation exists in

individual cases often in combination with minimum levels relating to compensation which simplifies assessment of the transaction price. Interest income is recognised in profit or loss in the period to which it pertains.

PENSIONS All employees in Sweden are subject to mandatory retirement in accordance with Swedish legislation, and other employees in accordance with the respective country's legislation. The company has no pension commitments other than payment of current pension insurance premiums. The pension insurance premiums are of the defined contribution type and are expensed as incurred.

INCOME TAXES Current tax refers to the tax computed on taxable profit for the period. Taxable profit differs from recognised profit in the consolidated income statement in that it has been adjusted for non-taxable income and non-deductible expenses and for items of income and expense that are taxable or deductible in other periods. Deferred tax refers to the tax computed partly on the basis of temporary differences and partly on tax losses. At every closing date, an assessment is made to determine whether to recognise deferred tax assets not previously recognised in the balance sheet. Such tax assets are recognised to the extent that it is probable that there will sufficient taxable profits against which to utilise these in the future.

RESEARCH AND DEVELOPMENT EXPENSES Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development is recognised as an intangible asset when all of the following conditions are met:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the company's intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Other expenditure on development activities is recognised as an expense in the period in which it is incurred. An individual assessment of all ongoing research and development projects is made quarterly to determine which costs can be capitalised. The carrying amount of capitalised expenditure includes all directly attributable costs such as materials, purchased services and employment costs.

BioGaia typically has research activities in the form of clinical studies underway parallel to product development. Much of BioGaia's product development consists of stability tests to ensure that the products remain stable throughout their shelf lives. While the clinical studies and stability tests are in progress, it is often not possible to be certain that the project will be successful and that the product can be sold. This means that projects often do not meet the requirements for capitalisation. Other aspects of product development include finding new delivery systems and developing existing products.

Amortisation of capitalised development costs is started when the asset can be used and the products begin generating revenue, and is carried out on a straight-line basis over the expected useful life of the asset.

IFRS 16 LEASES

● IFRS 16. BioGaia applies IFRS 16 for recognition of leases. IFRS 16 introduces a "right of use model" that requires the lessee to recognise almost all leases in the balance sheet, for which reason leases may not be classified as operating or finance leases. The exceptions are leases that have a term of 12 months or less as well as leases where the underlying assets has a low value. Depreciation on the asset and interest expenses on the liability are recognised in profit or loss.

On 31 December, the Group's lease assets amounted to SEK 28.9 million which is recognised in the item right-of-use assets and liabilities amounted to SEK 20.7 million in non-current liabilities and SEK 8.2 million in current liabilities. For the period January–December 2020, an interest expense of SEK 0.6 million and depreciation of SEK 7.6 million were recognised. .

● The Group as lessee The Group assesses whether a contract is or contains a lease contract at the commencement date. The Group recognises a right-of-use and a corresponding lease liability for all leases in which the Group is the lessee.

This does not apply, however, to short-term leases (defined as leases with a lease term of 12 months or less) and to leases where the underlying asset is of low value. For these leases the Group recognises lease payments as an operating expense on a straight-line basis over the lease term, if no other systematic method better reflects how the economic benefits from the underlying asset will be consumed by the lessee. The lease liability is measured initially at the present value of lease payments not paid as of the commencement date, discounted by using the lease's implicit interest rate. If this interest rate cannot be easily identified, the Group uses the marginal borrowing rate. The marginal borrowing rate is the interest rate that a lessee would need to pay for financing through borrowing during a corresponding period and with corresponding security, for right-of-use of an asset in a similar economic environment. Lease payments included in measurement of the lease liability include:

- fixed lease payments (including substantive fixed payments) after deduction for any incentives.
- variable lease payments depending on an index or a rate, initially measured using an index or rate at the commencement date.

Non-current lease liabilities are recognised as a separate item and current lease liabilities are recognised together with other current liabilities. The Group remeasures the lease liability (and makes a corresponding adjustment to the associated right-of-use) if:

- The lease term has changed or if there is a change in the assessment of an option to purchase the underlying asset. In such cases the lease liability is remeasured by discounting the changed lease payments with a changed discount rate.

- Lease payments change due to changes in an index or rate or a change in the amount expected to be paid out under a residual value guarantee. In such cases the lease liability is remeasured by discounting the changed lease payments with the initial discount rate (provided the changes in lease payments are not due to changed variable interest rate, when a changed discount rate will be used instead).

- A lease contract is changed and the change is not recognised as a separate lease. In such cases, the lease liability is remeasured by discounting the changed lease payments by a changed discount rate. The Group has not made any such adjustments in the periods presented.

At acquisition right-of-use assets are recognised at the value of a corresponding lease liability, lease payments made on or before the commencement date as well as any initial direct payments. In subsequent periods they are measured at cost after deduction for cumulative amortisation and impairment.

If the Group undertakes to dismantle and remove a lease asset, to restore the site on which the item is located or restore the underlying asset to the condition required by the terms and conditions of the lease contract, a provision is recognised according to IAS 37. Such provisions are recognised as part of the cost for right-of-use, unless these payments arise in conjunction with production of goods.

Amortisation of right-of-use assets takes place over an estimated useful life or over the contractual lease term, if this is shorter. If a lease contract transfers right of ownership to the underlying assets at the end of the lease term or if the cost for right-of-use reflects that the Group expects to exercise a call option, amortisation takes place over the useful life of the underlying asset. Amortisation starts as per the commencement date for the lease contract.

Right-of-use assets are presented on a separate line in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets to decide whether an impairment requirement exists for the right-of-use and reports any identified impairment in the same manner as described in the principles for property, plant and equipment.

Variable lease payments that are not due to an index or rate are not included in the measurement of the lease liability and right-of-use. Such lease payments are recognised as an expense in the period in which they arise and included on the line administrative expenses in the consolidated income statement.

IFRS 16 permits, as a practical expedient, that the lessee does not separate non-lease components from lease components and instead recognises each lease component and associated non-lease components as a single lease component. The Group has chosen not to apply this exemption.

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets and property, plant and equipment are recognised at cost less accumulated amortisation/ depreciation according to plan and any impairment.

Intangible assets are amortised on a straight-line basis over their expected useful lives. The following depreciation periods are applied to property, plant and equipment:

PROPERTY, PLANT AND EQUIPMENT

Production and laboratory equipment	5–10 years
Equipment and computers	3–5 years
Buildings	20–60 years

An assessment is made at each balance sheet date to look for any indication that an asset may be impaired. Incomplete projects are tested for impairment annually. The cash-generating unit is the applicable segment. If impairment is indicated, the recoverable amount of the asset is calculated. If this is lower than the carrying amount, the value is written down to the recoverable amount.

Depreciation of buildings is started when construction is completed. For electrical and internal construction work, etc., the depreciation period is 20–30 years, and for framework and foundation the depreciation period is 60 years.

INVENTORIES Inventories are measured at the lower of cost and net realisable value, including provisions for obsolescence. Cost is measured according to purchase price.

SHORT-TERM INVESTMENTS Short-term investments include interest rate funds that the company intends to dispose of within 12 months from the balance sheet date.

CASH AND CASH EQUIVALENTS Cash and cash equivalents comprise cash on hand and in banks.

FINANCIAL ASSETS AND LIABILITIES

The Group's accounting standards according to IFRS 9 Financial Instruments are provided below.

- Financial instruments** Financial instruments recognised in the statement of financial position include on the assets side cash and cash equivalents, trade receivables, other current receivables and currency derivatives to the extent these have a positive fair value. On the liabilities side, there are trade payables, other current liabilities, loans and currency derivatives to the extent these have a negative fair value. The category to which the Group's financial assets and liabilities belong is specified in Note 21 Financial assets and liabilities – classification and measurement of fair value.
- Recognition and derecognition from the statement of financial position** A financial asset or liability is recognised in the statement of financial position when the company becomes party to the contractual terms of the instrument. A receivable, except trade receivables, is recognised when the company has performed and a contractual obligation exists for the counterparty to pay, even if no invoice has yet been sent. Trade receivables are recognised in the statement of financial position when an invoice has been sent. Liabilities, except trade payables, are recognised when the counterparty has performed and a contractual obligation to pay exists, even if an invoice has not yet been received. Trade payables are taken up when an invoice is received. A financial asset is derecognised from the statement of financial position when the contractual rights are realised, expire or the company has relinquished control. The same applies to part of a financial asset. A financial liability is derecognised from the statement of financial position when the contractual obligations are met or otherwise extinguished. The same applies to part of a financial liability. No currency derivatives or other financial assets and liabilities are offset in the statement of financial position since the terms for offsetting are not met. Acquisition and disposal of financial assets are recognised on the transaction date. The transaction date is the day the company undertakes to acquire or dispose of the asset.
- Classification and measurement** Financial assets are classified on the basis of the business model in which the asset is held and its cash flow characteristic. If the financial asset is held within the framework of a business model whose objective is collecting contractual cash flows and the financial assets at identified dates give rise to cash flows that are solely payments of principal and interest on outstanding principal, the asset is recognised at amortised cost. If the financial asset is held in a business model whose objective can be

achieved both by collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal at identified dates, the asset is recognised at fair value through other comprehensive income.

All other business models where the purpose is speculation, held for trading or where the cash flow characteristic excludes other business models result in recognition at fair value through profit or loss.

- Amortised cost and effective interest method** Amortised cost for a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that principal and the outstanding principal, adjusted for any impairment. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjustment for any loss allowance.
- Financial liabilities** Financial liabilities are recognised at amortised cost using the effective interest method or at fair value through profit or loss.
- Financial liabilities at amortised cost** Loans and other financial liabilities, e.g. trade payables, are included in this category. Liabilities are measured at amortised cost.
- Financial liabilities at fair value through profit or loss** This category consists of financial liabilities held for trading. This category includes the Group's derivatives with negative fair value.
- Impairment** The Group recognises a loss allowance for expected credit losses on a financial asset measured at amortised cost or fair value through other comprehensive income, for a lease receivable or for a contract receivable. At each closing date, the Group shall recognise in profit or loss the change in expected credit losses since the initial recognition date.

For trade receivables, contract assets and lease receivables there is a simplified model which means that the Group recognises directly expected credit losses for the remaining term of the asset. The expected credit losses for these financial assets are calculated with the aid of a provision matrix which is based on historical events, current conditions and forecasts for future economic conditions and the time value of the money if applicable. For all other financial assets the Group shall measure a loss allowance to an amount that corresponds to 12 months' expected credit losses. For financial instruments for which a significant increase in credit risk has occurred since the initial recognition date, an allowance is recognised based on credit losses for the entire term to maturity of the asset. Equity instruments are not subject to these impairment rules.

Default is based on an assessment that it is improbable that a counterparty will meet its commitments on the basis of indicators such as financial difficulties and failure to pay. Regardless of the above, default occurs at the latest when the payment is 90 days overdue.

Measurement of financial instruments at fair value Financial assets and financial liabilities measured at fair value in the balance sheet, or where a disclosure of fair value is provided, are classified in one of three levels based on the information used to determine fair value.

- Level 1**, Financial instruments where fair value is determined based on observable (unadjusted) quoted prices in an active market for identical assets and liabilities. A market is regarded as active if quoted prices from a stock exchange, broker, industrial group, pricing service or supervisory authority are readily and regularly available and these prices represent actual and regularly occurring arm's length market transactions.
 - Level 2**, Financial instruments where fair value is determined based on valuation models based on observable inputs for the asset or liability other than quoted prices included in Level 1, either direct (such as price quotations) or indirect (derived from price quotations).
- Examples of observable inputs within Level 2:
- Quoted prices for similar assets and liabilities.
 - Data on which an assessment of price can be based, such as market interest rates and yield curves.
- Level 3**, Financial instruments where fair value is determined based on valuation models where significant inputs are based on unobservable data.

ACCOUNTING POLICIES OF THE PARENT COMPANY The differences between the accounting policies applied by the Group and the Parent Company are described below. The following accounting policies for the Parent Company have been applied consistently for all periods presented in the Parent Company

financial statements.

- **Presentation** The income statement and balance sheet of the Parent Company are presented in accordance with the schedules in the Swedish Annual Accounts Act.
- **Income taxes** In the Parent Company, untaxed reserves are recognised including the deferred tax liability. In the consolidated financial statements, however, untaxed reserves are divided between the deferred tax liability and equity.
- **Subsidiaries** In the Parent Company, shareholdings in subsidiaries are accounted for on a historical cost basis. The carrying amount is tested regularly against the subsidiaries' consolidated equity.
- **Lease payments** Lease payments are recognised as an expense on a straight-line basis over the lease period provided different systematic method does not better reflect economic benefit over time.

APPROVED CHANGES TO RFR 2 THAT HAVE NOT YET COME INTO EFFECT

The Swedish Financial Reporting Board has not approved any material changes that have not yet come into effect.

DEFINITIONS OF KEY RATIOS

KEY RATIO	DEFINITION/CALCULATION	PURPOSE
Return on equity	Profit attributable to the owners of the Parent Company divided by average equity attributable to the owners of the Parent Company.	Return on equity is used to measure profit generation, over time, given the resources attributable to the owners of the Parent Company.
Return on capital employed	Profit before net financial items plus financial income as a percentage of average capital employed.	Return on capital employed is used to analyse profitability, based on the amount of capital used.
Gross margin	Gross profit as a percentage of net sales.	The gross margin is used to measure profitability.
Equity per share	Equity attributable to the owners of the Parent Company divided by the average number of shares.	Equity per share measures the company's net value per share and indicates whether a company will increase the shareholders' wealth over time.
Equity per share, diluted	Equity attributable to the owners of the Parent Company at the end of the period divided by the average number of shares after dilution.	Equity per share, diluted, measures the company's net value per share after any dilution due to ongoing incentive schemes or similar schemes and indicates whether a company will increase the shareholders' wealth over time.
Average number of shares	Time-weighted number of outstanding shares during the year taking bonus issue elements into account.	Used to calculate equity and earnings per share.
Operating margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	The operating profit margin is used to measure operational profitability.
Operating profit	Profit before financial items and tax.	Operating profit is used to measure operating profitability.
Equity/assets ratio	Shareholders' equity at the end of the period as a percentage of total assets.	A traditional metric to show financial risk expressed as the share of total assets financed by the shareholders. Shows the company's stability and ability to withstand losses.
Capital employed	Total assets less interest-free liabilities.	Capital employed measures the company's ability, in addition to cash and liquid assets, to meet the requirements of business operations.

Growth	Sales for the year less sales for the previous year divided by sales for the previous year. Breakdown by foreign exchange and organic growth.	Shows the company's realised sales growth over time.
Earnings per share (EPS)	Profit for the year attributable to owners of the Parent Company divided by the average number of shares (definition according to IFRS).	EPS measures how much of net profit is available for payment to the shareholders as dividends per share.
Earnings per share (EPS), diluted	Profit for the year attributable to the owners of the Parent Company divided by the average number of shares after dilution.	EPS, diluted, measures how much of net profit is available for payment to shareholders as dividends per share after any dilution due to ongoing incentive programmes or similar schemes.
Earnings per share (EPS) in continuing operations	Profit for the year from continuing operations attributable to the owners of the Parent Company divided by the average number of shares.	EPS in continuing operations measures how much of net profit is available for payment to shareholders as dividends per share in continuing operations.
Profit margin	Profit before tax as a percentage of net sales.	This key ratio makes it possible to compare profitability regardless of the corporate income tax.

RECONCILIATION AGAINST IFRS

	2020	2019
Return on capital employed		
Operating profit	228,150	242,511
Financial income	155	416
Profit before financial items + financial income (A)	228,306	242,927
Total assets	1,913,282	665,900
Interest-free liabilities	-155,725	-147,687
Capital employed	1,757,557	518,213
Average capital employed (B)	1,137,885	516,507
Return on capital employed (A/B)	20%	47%
Return on equity		
Profit attributable to the owners of the Parent Company (A)	179,730	187,347
Equity attributable to the owners of the Parent Company	1,746,243	507,872
Average equity attributable to the owners of the Parent Company (B)	1,127,058	506,427
Return on equity (A/B)	16%	37%
Equity/assets ratio	31 Dec 2020	31 Dec 2019
Equity (A)	1,746,245	507,874
Total assets (B)	1,913,282	665,900
Equity/assets ratio (A/B)	91%	76%

Operating margin	2020	2019
Operating profit (A)	228,150	242,511
Net sales (B)	747,077	768,347
Operating margin (A/B)	30%	32%

Profit margin	2020	2019
Profit before tax (A)	227,583	242,259
Net sales (B)	747,077	768,347
Profit margin (A/B)	30%	32%

Equity per share	31 Dec 2020	31 Dec 2019
Equity attributable to owners of the Parent Company (A)	1,746,243	507,872
Average number of shares (B)	17,855	17,474
Equity per share (A/B)	97.80	29.06

CHANGE IN SALES BY SEGMENT

Description	Definition	Paediatrics 2019	Adult Health 2019	Other 2019	Total 2019	
A	The previous year's net sales according to the average rate	600,089	167,321	937	768,347	
B	Net sales for the year according to the average rate	583,111	161,186	2,780	747,077	
C	Reported change	B-A	-16,978	-6,134	1,843	-21,270
	Percentage change	C/A	-3%	-4%	197%	-3%
D	Net sales for the year according to the previous year's average rate	588,290	163,429	2,780	754,499	
E	Foreign exchange effects	C-F	-5,179	-2,243	0	-7,423
	Foreign exchange effects, %	E/A	-1%	-1%	0%	-1%
F	Organic change	D-A	-11,799	-3,892	1,843	-13,848
	Organic change, %	F/A	-2%	-2%	197%	-2%

AVERAGE KEY EXCHANGE RATES

	Group	
	2020	2019
EUR	10.54	10.59
USD	9.27	9.46
JPY	0.0862	0.0868

NOTE 2 SEGMENT REPORTING

BioGaia's operating segments consist of Paediatrics and Adult Health. The Paediatrics segment includes sales of drops, oral rehydration solution (ORS), gut health tablets and also cultures as an ingredient in a licensee's product (such as infant formula), as well as royalties pertaining to Paediatric products. The Adult Health segment mainly includes gut health tablets, bone health products and oral health products and also sales of cultures as an ingredient in a licensee's dairy product and royalties from the sale of Adult health products. Other consists of a number of smaller segments such as royalties in the subsidiary CapAble. Together these account for less than 10% of sales and are therefore not reported separately.

NET SALES BY SEGMENT

	Group	
	2020	2019
Paediatrics	583,111	600,090
Adult Health	161,186	167,321
Other	2,780	937
	747,077	768,348

GROSS PROFIT BY SEGMENT

Paediatrics	431,810	445,676
Adult Health	112,588	117,385
Other	2,521	937
	546,918	563,998
Selling, administration and R&D expenses	-302,425	-313,987
Other operating income/expenses	-16,343	-7,500
Operating profit	228,150	242,511
Net financial items	-567	-252
Group profit before tax	227,583	242,259

In 2020, SEK 194.8 million (184.4) or 26% (24%) of revenue in the Group was attributable to three customers. The two largest of these three customers belong to the Paediatrics segment while the third belongs to both the Paediatrics and the Adult Health segments. In 2020, as in 2019, there was one customer that accounted for more than 10% of sales. This customer belongs to both the Paediatrics and Adult Health segments.

Asia Pacific

Paediatrics	82,689	72,991
Adult Health	86,625	103,839
Other	1,432	129
	170,746	176,959

EMEA

Paediatrics	312,520	346,536
Adult Health	58,894	52,229
Other	1,169	807
	372,583	399,572

Americas

Paediatrics	187,902	180,562
Adult Health	15,667	11,252
Other	179	0
	203,748	191,814

Total	747,077	768,347
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DATE OF RECOGNITION

	Group		Parent Company	
	2020	2019	2020	2019
Performance obligations met on specific date (Product sales)	721,491	743,030	685,337	703,590
Performance obligations met over time (Licenses and royalties)	25,586	25,317	14,012	17,140
Total	747,077	768,347	699,349	720,730

CONTRACTUAL ASSETS

Accrued revenue (Royalties)	3,147	4,651	3,147	4,647
Total	3,147	4,651	3,147	4,647

Contractual assets where performance obligations are met over time refers to royalties. The variation between the periods is related to timing of invoicing.

CONTRACTUAL LIABILITIES

Prepayments from customers (Licenses and royalties)	11,184	20,165	200	186
Total	11,184	20,165	200	186

Contractual liabilities where performance obligations are met at overtime refers to accruals related to license and royalty revenue. The variation relates to resolution of license and royalty liabilities.

For contractual liabilities at the beginning of the year, SEK 9.0 million has been recognised as revenue during the year.

PERFORMANCE OBLIGATIONS MET ON SPECIFIC DATE (PRODUCT SALES)

	Group	
	2020	2019
Paediatrics	570,829	585,090
Adult Health	148,635	157,811
Other	2,027	129
	721,491	743,030

PERFORMANCE OBLIGATIONS MET OVER TIME (ROYALTIES)

Paediatrics	12,282	15,000
Adult Health	12,551	9,509
Other	753	807
	25,586	25,317

Of the Group's assets, which amount to SEK 1,913.3 million (665.9), more than 90% are located in Europe. Of the Group's capital expenditure on property, plant and equipment during the year, totalling SEK 16.1 million (32.3), more than 90% took place in Europe.

Sales in Sweden accounted for SEK 15.6 million (16.4) or 2% (2%) of total revenue in the Group. The Group's largest markets are Brazil, France, Japan, China and USA (Brazil, Italy, Japan, Spain and USA). These markets account for approximately 38% (39%) of total revenue.

The Group's non-current assets amount to SEK 223.7 million (213.5) of which SEK 218.2 million (205.7) is located in Sweden and SEK 5.5 million (7.8) in other countries (USA and Japan).

NOTE 3 EMPLOYEES AND PERSONNEL EXPENSES, REMUNERATION TO SENIOR EXECUTIVES

AVERAGE NUMBER OF EMPLOYEES BY COUNTRY

	2020	Of whom, men	2019	Of whom, men
<i>Parent Company:</i>				
Sweden	95	30	95	29
<i>Subsidiaries:</i>				
Sweden	37	22	36	22
Japan	23	10	20	10
USA	2	2	2	2
Total subsidiaries	62	34	58	34
Total Group	157	64	153	63

The number of employees in the Group at 31 December 2020, was 160 (157).

SALARIES AND OTHER REMUNERATION DIVIDED BY COUNTRY AND BETWEEN THE BOARD/CEO AND OTHER EMPLOYEES

	2020 Board and CEO	2020 Other employees	2019 Board and Managing Director	2019 Other em- ployees
<i>Parent Company:</i>				
Sweden	5,188	62,002	4,849	61,370
<i>Subsidiaries:</i>				
Sweden	4,130	14,220	4,177	12,393
Japan	4,856	7,952	5,208	6,184
USA	–	3,873	–	3,511
Total subsidiaries	8,986	26,045	9,385	22,088
Total Group	14,174	88,047	14,234	83,458

TOTAL SALARIES AND SOCIAL SECURITY EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Salaries and other remuneration	102,221	97,692	67,190	66,219
Pension expenses for the Board and Managing Director	1,496	1,914	609	761
Pension expenses for other employees	10,216	10,188	9,308	8,923
Other social security expenses	27,239	27,771	20,657	21,887
	141,172	137,565	97,764	97,790

PENSIONS AND HEALTH INSURANCE All employees in Sweden are subject to mandatory retirement in accordance with Swedish law. The company has no pension commitments other than payment of annual pension insurance premiums.

For all employees except the CEO*) over the age of 25 years, the following pension insurance premiums are paid in relation to salary:

Pensionable salary within the range:	0–7.5 base amounts	>7.5–30 base amounts	>30 base amounts
Premium	4.5%	30%	0%

*) For the CEO pension insurance premiums are paid with 4.5% within 7.5 base salary amounts and with 30% above 7.5 base salary amounts.

All employees are covered by health insurance, with benefits. This health insu-

rance is activated after 90 days of sick leave. Together with the employer's health insurance and compensation from the Social Insurance Agency, the employee receives total benefits equal to approximately 65 - 87% of salary after a qualifying period of 3 months (depending on the level of salary). The company also pays sick pay during the qualifying period (see above), i.e. from day 15 to day 90, when the health insurance is activated. Compensation from the Swedish Social Insurance Agency from day 15 corresponds to just under 80% of salary and is payable in a maximum amount corresponding to an annual salary of 7.5 price base amounts. During this period, the company pays compensation for loss of income so that the employee, regardless of salary level, receives a total of 80% of salary together with compensation from the Swedish Social Insurance Agency.

BIOGAIJA'S INCENTIVE SCHEME FOR THE EMPLOYEES BioGaia had a bonus programme for all employees in the Parent Company in 2020. The bonus is mainly based on whether sales and operating profit reach budgeted levels and to a lesser extent on a number of key qualitative targets for operations.

The maximum bonus amounts to 12% of salary. The employee is required to reinvest part (a maximum of one-third) of paid-out bonus (after tax) in BioGaia class B shares at a market price and to hold these for a three-year period. BioGaia has no obligation to repurchase shares nor does the employee have any obligation to sell shares in the event employment is terminated within three years from the date investment took place. For 2020, the bonus achieved in the Parent Company was 0% (2%) and the cost of the programme for the Group amounted to SEK 0.1 million (2.1).

REMUNERATION TO SENIOR EXECUTIVES Remuneration to the Chairman and members of the Board is paid according to the decision of the Annual General Meeting. The Board has appointed a Remuneration Committee consisting of Board Chairman Peter Rothschild, Board member Peter Elving and David Dangoor (chairman). The Remuneration Committee handles matters related to remuneration and other terms of employment of senior executives. The principles for remuneration to senior executives are approved by the Annual General Meeting. The task of the Remuneration Committee is to prepare recommendations in accordance with these principles. Remuneration to the CEO and other senior executives employed by the company consists of fixed salary, variable remuneration and other benefits. Other senior executives consist of the 9 persons who together with the CEO make up the Executive Management.

In the event of termination by the company, the CEO and Vice Presidents are entitled to full salary during an 18 month period of notice. In the event of termination by the company, other senior executives have a statutory notice period of at least 3 months in accordance with the Swedish Employment Protection Act. In other respects, the CEO has the same benefits as other employees. No agreements for termination benefits exist for the CEO or other senior executives.

REMUNERATION AND OTHER BENEFITS DURING THE YEAR

	Directors' fees	Fixed salary	Variable remuneration	Pension insurance incl. health insurance	Total
<i>Board Chairman</i>					
Peter Rothschild	670	995			1,665
<i>Vice Chairman</i>					
David Dangoor	540				540
<i>Board members:</i>					
Ewa Björling	250				250
Peter Elving	270				270
Maryam Ghahremani	250				250
Anthón Jahreskog	350				350
Niklas Ringby	-				-
Vanessa Rothschild	250				250
<i>CEO:</i>					
Isabelle Ducellier		2,608		609	3,217
<i>Other senior executives (9 persons):</i>	12,683		50	2,842	15,575
	2,580	16,286	50	3,451	22,367

GENDER DISTRIBUTION

	2020 Women	2020 Men	2019 Women	2019 Men
Board members	3	5	3	4
Management including Managing Director and Group President	4	6	6	4

NOTE 4 AUDITOR'S FEES

	Group		Parent Company	
	2020	2019	2020	2019
<i>Deloitte AB</i>				
Audit services according to engagement letter	703	600	603	575
Audit services in addition to audit	135	92	92	92
Tax advice	-	-	-	-
Other services	-	-	-	-

Audit assignments refer to the auditors' work on the statutory audit, other auditing activities and different types of quality assurance services. Other services are such that are not included in the audit assignment, auditing activities or tax advice.

NOTE 5 OTHER OPERATING INCOME

	Group		Parent Company	
	2020	2019	2020	2019
Government subsidy	1,084	-	-	-
	1,084	-	-	-

NOTE 6 OTHER OPERATING EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Exchange rate losses on receivables and operating liabilities, net	17,427	7,500	16,943	7,452
	17,427	7,500	16,943	7,452

At 31 December 2020, the Parent Company and the Group had outstanding forward exchange contracts for EUR 3.5 million (12.6) at an average exchange rate of SEK 10.72 and for USD 0.1 million (6.5) at an average exchange rate of SEK 8.64.

NOTE 7 OPERATING EXPENSES

OPERATING EXPENSES ALLOCATED BY TYPE OF COST

	Group		Parent Company	
	2020	2019	2020	2019
Cost of sales	200,159	204,349	241,555	246,478
Personnel expenses	141,853	142,375	98,347	102,101
Depreciation/amortisation	20,530	15,593	3,746	1,458
Other operating expenses	156,385	163,519	161,381	171,656
	518,927	525,836	505,029	521,693

For the Parent Company operating expenses include lease payments excluding rents with SEK 0.7 million (0.7) and rents with SEK 6.8 million (6.4). The Parent Company's future payment commitments regarding lease payments excluding rents amount to SEK 1.7 million (1.4). The Parent Company's lease payments excluding rents fall due for payment with SEK 0.7 million (0.5) within one year and SEK 1.0 million (0.9) within two to five years. The Parent Company's future payment commitments regarding rents amount to SEK 26.2 million (16.3). The Parent Company's rents fall due for payment with SEK 5.9 million (5.3) within one year, SEK 19.4 million (8.5) within two to five years and SEK 0.8 million (2.5) after five years.

RESEARCH AND DEVELOPMENT EXPENSES The expenses capitalised in the balance sheet relate to MetaboGen, and to IT development. No other expenses for development in the Parent Company or subsidiaries during the year meet the requirement for capitalisation in the balance sheet.

TOTAL RESEARCH AND DEVELOPMENT EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Total R&D expenses excl. amortisation	101,864	110,142	82,169	96,444
Development expenses capitalised during the year	–	-6,708	–	-6,708
R&D expenses not capitalised	101,864	103,434	82,169	89,736
Amortisation component of R&D expenses*)	2,799	1,617	1,894	1,184
R&D expenses with an effect on profit/loss	104,663	105,051	84,063	90,920

*) This amount refers only to the portion of depreciation on property, plant, equipment and intangible assets (IT development) attributable to the research and development function in the income statement classified by function.

NOTE 8 FINANCIAL INCOME

	Group		Parent Company	
	2020	2019	2020	2019
Interest income	155	416	1,169	1,886
	155	416	1,169	1,886

NOTE 9 FINANCIAL EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Other interest expenses	722	668	–	–
	722	668	0	0

NOTE 10 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
	2020	2019	2020	2019
Current tax	-45,641	-49,812	-37,061	-36,948
Deferred tax	-2,212	-5,189	–	–
	-47,853	-55,001	-37,061	-36,948

DEFERRED TAX IN UNTAXED RESERVES

	Group		Parent Company	
	2020	2019	2020	2019
Deferred tax attributable to untaxed reserves	2,514	1,673	–	–
	2,514	1,673	–	–

CHANGE IN DEFERRED TAX LIABILITY

	Group	
	2020	2019
Opening balance deferred taxes	10,339	6,679
Provision for deferred tax	973	3,660
Closing deferred tax	11,312	10,339

The deferred tax liability in untaxed reserves SEK 2.5 million and relating to buildings SEK 0.5 million is attributable to the subsidiary BioGaia Production AB. Other deferred tax liability SEK 8.3 million is related to ongoing research and development projects in MetaboGen.

CHANGE IN DEFERRED TAX ASSETS

	Group	
	2020	2019
Opening balance, deferred tax	6,518	8,430
Resolution of deferred tax asset	-1,239	-1,912
Closing balance, deferred tax	5,279	6,518

SEK 3.8 million of deferred tax assets relates to the subsidiary BioGaia Japan Inc. This mainly relates to a consolidating adjustment of exclusivity revenue for product rights recognised successively over the term of the agreement. Other deferred tax assets of SEK 1.5 million related to a consolidating adjustment of intra-group profits in inventories and a loss allowance.

RECONCILIATION OF NOMINAL TAX AND ACTUAL TAX EXPENSES

	Group		Parent Company	
	2020	2019	2020	2019
Reported profit before tax	227,583	242,259	174,733	199,627
Tax rate	21.4%	21.4%	21.4%	21.4%
Anticipated tax expense	-48,703	-51,843	-37,393	-42,720
Tax effect of other non-deductible and non-taxable items	-484	-906	332	5,772
Tax effect of other rates for foreign subsidiaries	-829	-1,223	-	-
Tax effect on unrecognised deferred tax on loss carry forwards	-	-929	-	-
Tax effect attributable to previous years	2,241	-46	-	-
Other tax adjustment	-78	-54	-	-
Actual tax expense	-47,853	-55,001	-37,061	-36,948

The tax rate for the Group amounted to 21% (23) of profit for the year after financial items. Tax on rights issue costs was recognised in equity and amounted to SEK 3.7 million.

NOTE 11 INTANGIBLE ASSETS

GROUP

	R&D projects in progress	Goodwill	Development costs	Total intangible assets
<i>Accumulated cost</i>				
Opening balance, 1 January 2019	45,850	5,300	-	51,150
Additions	-	-	6,708	6,708
Closing balance, 31 December 2019	45,850	5,300	6,708	57,858
Opening balance, 1 January 2020	45,850	5,300	6,708	57,858
Additions	-	-	-	-
Closing balance, 31 December 2020	45,850	5,300	6,708	57,858
<i>Accumulated amortisation</i>				
Opening balance, 1 January 2019	-	-	-	-
Amortisation	-	-	-	-
Closing balance, 31 December 2019	0	0	0	0
Opening balance, 1 January 2020	0	0	0	0
Amortisation	-	-	2,236	2,236
Closing balance, 31 December 2020	-	-	2,236	2,236
<i>Carrying amounts:</i>				
At 1 January 2019	45,850	5,300	0	0
At 31 December 2019	45,850	5,300	6,708	57,858
At 31 December 2020	45,850	5,300	4,472	55,622

PARENT COMPANY

	R&D projects in progress	Goodwill	Development costs	Total intangible assets
<i>Accumulated cost</i>				
Opening balance, 1 January 2019	-	-	-	-
Additions	-	-	6,708	6,708
Closing balance, 31 December 2019	-	-	6,708	6,708
Opening balance, 1 January 2020	-	-	6,708	6,708
Additions	-	-	-	-
Closing balance, 31 December 2020	-	-	6,708	6,708
<i>Accumulated amortisation</i>				
Opening balance, 1 January 2019	-	-	-	-
Additions	-	-	-	-
Closing balance, 31 December 2019	0	0	0	0
Opening balance, 1 January 2020	0	0	0	0
Amortisation	-	-	2,236	2,236
Closing balance, 31 December 2020	-	-	2,236	2,236
<i>Carrying amounts:</i>				
At 1 January 2019	0	0	0	0
At 31 December 2019	0	0	6,708	6,708
At 31 December 2020	0	0	4,472	4,472

The Group recognises intangible assets from the acquisition of MetaboGen which amount to SEK 45.8 million relating to research and development projects and SEK 5.3 million as goodwill. In conjunction with the balance sheet date, impairment testing was carried out using a cash flow model.

Testing for impairment was carried out based on Executive Management's future forecasts. These forecasts were prepared internally by Executive Management based on management's overall experience and their best assessment of the development potential of the company and the projects as well as market growth after launch. The model sees the research and development portfolio as a unit but assessment of future revenue is made per underlying project. Significant assumptions in the model include future revenues, discount rate and risk adjustment of forecasted cash flow. The forecast period is 8 years and the growth rate reflects the commercialisation of the projects. The model includes a horizon value with a growth assumption of 2%. The discount rate amounts to 8.65% but each project includes a risk adjustment factor. Furthermore, the model includes specific costs per project as well as administrative expenses that are not allocated per project. Future costs are based on Executive Management's budgets and forecasts. Significant assumptions that have changed compared to acquisition and have therefore been updated in the model are estimated costs and risk adjustment. Testing for impairment shows that no impairment requirement exists relating to the intangible assets.

To support the impairment testing performed, an overall analysis has been performed of the sensitivity of the assumptions used in the model. A 1% change in the discount rate affects the cash flow valuation by approximately SEK 29.4 million. An assumption of the corresponding risk adjustment used in conjunction with the acquisition shows that no impairment requirement exists. Other assumptions have been left unchanged in the sensitivity analysis. See also Note 28 for additional information.

Amortisation starts in conjunction with research and development projects for MetaboGen being completed and/or commercialised. During the year, the Group and the Parent Company have amortised SEK 2.2 million of capitalised development costs for the ERP system that went into operation in 2020. The amortisation period for these development costs is 3 years.

NOTE 12 RIGHT-OF-USE ASSETS

GROUP	Land and buildings	Equipment	Total rights of use
<i>Accumulated cost</i>			
Opening balance, 1 January 2019	23,421	1,399	24,820
Additions	1,616	–	1,616
Disposals	-113	–	-113
Closing balance, 31 December 2019	24,924	1,399	26,323
Opening balance, 1 January 2020	24,924	1,399	26,323
Additions	16,752	458	17,210
Disposals	-979	–	-979
Closing balance, 31 December 2020	40,697	1,857	42,554
<i>Accumulated depreciation</i>			
Opening balance, 1 January 2019	–	–	–
Depreciation	5,960	68	6,028
Closing balance, 31 December 2019	5,960	68	6,028
Opening balance, 1 January 2020	5,960	68	6,028
Depreciation	7,440	192	7,632
Disposals	33	–	33
Closing balance, 31 December 2020	13,433	260	13,693
<i>Carrying amounts:</i>			
At 1 January 2019	23,421	1,399	24,820
At 31 December 2019	18,964	1,331	20,295
At 31 December 2020	27,264	1,597	28,861

The Group mainly leases buildings but also IT equipment. The average lease term is 2 years. The significant change in the assets is explained by a contractual change in the contract at the head office in Stockholm. A maturity analysis of lease liabilities and marginal borrowing rate is presented in Note 27. No extension options of significance exist in leases.

Amounts recognised in profit or loss related to right-of-use assets

	GROUP	
	2020	2019
Depreciation of right-of-use assets	7,632	6,028
Interest expense for lease liabilities	578	634
Expenses related to short-term leases and low-value leases	3,512	4,338
	11,722	11,000

Total cash-flow for leasing amounts to approximately SEK 11.7 million (11.2).

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Production and laboratory equipment	Work in progress	Office equipment and computers	Total property, plant and equipment
<i>Accumulated cost:</i>					
Opening balance, 1 January 2019	97,677	50,558	–	18,188	166,423
Additions	10,163	18,134	–	1,625	32,316
Disposals	–	-519	–	–	-519
Exchange differences	–	–	–	84	84
Closing balance, 31 December 2019	107,840	68,173	–	22,291	198,304
Opening balance, 1 January 2020	107,840	68,173	–	22,291	198,304
Additions	1,381	11,648	–	3,046	16,075
Divestments/disposals	–	–	–	-457	-457
Exchange differences	–	–	–	-258	-258
Closing balance, 31 December 2020	109,221	79,821	0	24,622	213,664
<i>Accumulated depreciation:</i>					
Opening balance, 1 January 2019	11,426	33,221	–	16,853	60,499
Depreciation	2,995	4,221	–	2,313	9,529
Disposals	–	-519	–	–	-519
Exchange differences	–	–	–	47	47
Closing balance, 31 December 2019	14,421	36,923	–	18,213	69,557
Opening balance, 1 January 2020	14,421	36,923	–	18,213	69,557
Depreciation	3,723	4,950	–	1,915	10,588
Disposals	–	–	–	-332	-332
Exchange differences	–	–	–	-53	-53
Closing balance, 31 December 2020	18,144	41,873	–	19,743	79,760
<i>Carrying amounts:</i>					
At 1 January 2019	86,251	17,337	–	2,335	105,923
At 31 December 2019	93,419	31,250	–	4,078	128,747
At 31 December 2020	91,077	37,948	–	4,879	133,904

PARENT COMPANY

	Production and laboratory equipment	Office equipment and computers	Total property, plant and equipment
<i>Accumulated cost:</i>			
Opening balance, 1 January 2019	8,705	12,806	21,511
Disposals	–	–	–
Additions	3,189	–	3,189
Closing balance, 31 December 2019	11,894	12,806	24,700

	Production and laboratory equipment	Office equipment and computers	Total property, plant and equipment
Opening balance, 1 January 2020	11,894	12,806	24,700
Additions	807	–	807
Closing balance, 31 December 2020	12,701	12,806	25,507
	Production and laboratory equipment	Office equipment and computers	Total property, plant and equipment
<i>Accumulated depreciation:</i>			
Opening balance, 1 January 2019	4,548	11,745	16,293
Depreciation	1,122	336	1,458
Closing balance, 31 December 2019	5,670	12,081	17,751
Opening balance, 1 January 2020	5,670	12,081	17,751
Depreciation	1,346	164	1,510
Closing balance, 31 December 2020	7,016	12,245	19,261
<i>Carrying amounts:</i>			
At 1 January 2019	4,157	1,061	5,218
At 31 December 2019	6,224	725	6,949
At 31 December 2020	5,685	561	6,246

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT IS RECOGNISED ON THE FOLLOWING LINES IN THE INCOME STATEMENT

	Group		Parent Company	
	2020	2019	2020	2019
Cost of sales	6,963	5,763	–	–
Selling expenses	958	1,504	163	191
Administrative expenses	515	374	35	48
Research and development expenses	1,823	1,887	918	1,219
	10,260	9,529	1,115	1,458

NOTE 14 FINANCIAL ASSETS

PARENT COMPANY

Participations in group companies	2020	2019
At beginning of year	154,671	109,902
Group contribution paid to CapAble AB	1,269	1,297
Group contribution paid to BioGaia Pharma AB	9,438	7,000
Group contribution paid to MetaboGen AB	10,048	22,765
Group contribution paid to TriPac AB	–	4
Impairment loss on shares in subsidiaries	-20,755	-1,297
Shareholder contribution to MetaboGen AB	–	15,000
Carrying amount at end of year	154,671	154,671

SPECIFICATION OF THE PARENT COMPANY'S EQUITY HOLDINGS IN GROUP COMPANIES

Subsidiary/corp. reg.no./Domicile	No. of shares	Hold-ing, %	Book value
BioGaia Biologics Inc. /–/Raleigh, NC, USA	100,000	100	0
TriPac AB /556153-2200/Stockholm	10,000	100	3,600
CapAble AB /556768-3601/Stockholm	10,000	100	0
BioGaia Pharma AB /559114-8191/Stockholm	48,000	96	21,142
BioGaia Japan Inc. /–/Hiroshima, Japan	180	100	0
MetaboGen AB /556872-7142/Stockholm	819,091	92.4	89,288
BioGaia Production AB /556591-9767/Eslöv	10,000	100	40,641
			154,671

The assets and liabilities of the American subsidiary BioGaia Biologics Inc. have been translated at the closing day rate of exchange, SEK 8.19 (9.32). Income statement items have been translated at an exchange rate of SEK 9.27 (9.46). The assets and liabilities of the Japanese subsidiary BioGaia Japan Inc. have been translated at an exchange rate of SEK 0.079 (0.085). Income statement items have been translated at an exchange rate of SEK 0.086 (0.087). The resulting translation differences have been recognised in consolidated comprehensive income.

CapAble AB is a wholly owned subsidiary of BioGaia AB. Previously 9.9% was owned by CapAble's CEO but in February 2019 BioGaia acquired the remaining part for SEK 1.

BioGaia Production AB (formerly TwoPac AB) was formed in 2002 and in 100% owned by BioGaia since 1 July 2013.

BioGaia Pharma AB was formed in 2017. BioGaia owns 96% of the company. BioGaia Pharma's President, Nigel Titford owns 4% of the company. The minority share of equity in BioGaia Pharma amounts to SEK 2 thousand. MetaboGen AB is consolidated as a subsidiary from 1 April 2018. BioGaia owns 92.4% and the founders own the remaining 7.6%.

Of total purchases made by the Parent Company, 27.4% (25.7) was attributable to group companies. Of the Parent Company's sales, 2.9% (2.6) went to group companies.

NOTE 15 NON-CURRENT RECEIVABLES FROM SUBSIDIARIES

NON-CURRENT RECEIVABLES FROM SUBSIDIARIES

	Parent Company	
	2020	2019
At beginning of year	35,835	45,835
Exchange difference related to loan to BioGaia Japan Inc.	-3,807	2,559
Revaluation/provision for net receivable	3,807	-2,559
Repayment of loan from BioGaia Production AB	-25,000	-10,000
	10,835	35,835

NON-CURRENT RECEIVABLES FROM GROUP COMPANIES AT 31 DECEMBER 2020

	Parent Company	
	2020	2019
BioGaia Production AB	10,835	35,835
Closing balance at end of year	10,835	35,835

NOTE 16 INVENTORIES

	Group		Parent Company	
	2020	2019	2020	2019
Raw materials and consumables	18,273	12,159	–	–
Finished goods and goods for resale	54,004	56,286	49,154	53,262
	72,277	68,445	49,154	53,262

The Group's provision for obsolescence amounted to SEK 8.1 million (5.9) at 31 December 2020. Expenses relating to impairment losses on inventory and scrapping amounted to SEK 4.1 million (8.5).

NOTE 17 TRADE RECEIVABLES

Provisions for bad debt losses amounted to SEK 4.0 million (3.2) at 31 December 2020.

The provision relates partly to impairment of identified doubtful receivables of SEK 3.4 million (2.7) and partly to a provision for expected losses in accordance with IFRS 9 of SEK 0.6 million (0.5).

At 31 December 2020, trade receivables amounting to SEK 13.5 million (26.5) were overdue without any assessed grounds for impairment recognition. Of the overdue receivables, SEK 11.7 million had been recovered as of the date of signing of the financial statements.

AGE ANALYSIS

	Group		Parent Company	
	2020	2019	2020	2019
Receivables not overdue	85,669	98,371	68,138	85,765
Less than 3 months	12,836	24,998	12,830	23,499
3-6 months	335	148	335	148
More than 6 months	310	1,876	310	53
Expected loss provision IFRS 9	-639	-477	–	–
	98,511	124,916	81,613	109,465

THE CARRYING AMOUNTS, BY CURRENCY, ARE AS FOLLOWS

	Group		Parent Company	
	2020	2019	2020	2019
EUR	35,489	47,394	35,421	47,394
USD	37,084	45,084	37,084	44,755
SEK	9,373	14,814	9,108	14,796
JPY	17,204	15,581	–	–
DKK	0	2,520	–	2,520
Expected loss provision IFRS 9	-639	-477	–	–
	98,511	124,916	81,613	109,465

NOTE 18 RELATED PARTY TRANSACTIONS

GROUP Annwall & Rothschild Investment AB owns 740,668 class A shares and 100,000 class B shares, corresponding to 4.16% of the share capital and 27.94% of the voting rights. Annwall & Rothschild Investment AB is owned by the found-

ers Jan Annwall and Peter Rothschild who is Chairman of the Board of BioGaia. Transactions that took place in 2020 were a dividend of SEK 3.75 per share as well as remuneration and directors' fees - for further information, see Note 3.

PARENT COMPANY The Parent Company owns 100% of the shares in BioGaia Production AB, BioGaia Biologics Inc., USA, BioGaia Japan Inc., Tripac AB and CapAble AB.

The Parent Company owns 96% of the shares in BioGaia Pharma AB. The Parent Company owns 92.4% of the shares in MetaboGen AB.

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH BIOGAIA PRODUCTION AB

	Parent Company	
	2020	2019
Interest income	244	523
Purchase of services	-1,522	-1,817
Purchase of goods	-120,201	-122,203
Sales of services	–	–

Goods are purchased on a cost plus basis.

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH BIOGAIA JAPAN INC.:

	Parent Company	
	2020	2019
Interest income	899	913
Repayment of loans from BioGaia Japan	–	–
Purchase of services	–	-629
Sale of goods ¹⁾	20,200	18,358

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH BIOGAIA BIOLOGICS INC.

	Parent Company	
	2020	2019
Purchase of services	-11,285	-11,431

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH CAPABLE AB

	Parent Company	
	2020	2019
Sale of Services	78	78
Purchase of services	–	–
Group contribution paid	-1,269	-1,297

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH BIOGAIA PHARMA AB

	Parent Company	
	2020	2019
Sale of Services	60	60
Group contribution paid	-9,438	-7,000
Shareholder contribution paid	–	–

HE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH TRIPAC AB

	Parent Company	
	2020	2019
Group contribution paid	–	–4

THE FOLLOWING TRANSACTIONS HAVE TAKEN PLACE WITH METABOGEN AB

	Parent Company	
	2020	2019
Sale of Services	120	120
Group contribution paid	-10,048	-22,765
Shareholder contribution paid	–	-15,000

THE CLOSING BALANCE AT THE END OF THE PERIOD WAS AS FOLLOWS

	Parent Company	
	31 Dec 2020	31 Dec 2019
Non-current receivables from subsidiaries		
Non-current receivables, BioGaia Production AB	10,835	35,835
	10,835	35,835
Current liabilities from subsidiaries		
Current liabilities, BioGaia Biologics Inc	-14,328	-11,398
Current liabilities, CapAble AB	-4,268	-3,490
Current liabilities, Tripac AB	-4,680	-4,680
Current liabilities, BioGaia Pharma AB	-7,397	-7,576
Current liabilities, BioGaia Production AB	-14,633	-6,721
Current liabilities, MetaboGen AB	-27,258	-22,780
	-72,564	-56,645
Current receivables from subsidiaries		
Current receivables, BioGaia Japan Inc.	24,988	6,889
	24,988	6,889

See also Note 3 for other related party transactions.

NOTE 19 OTHER CURRENT RECEIVABLES

	Group		Parent Company	
	2020	2019	2020	2019
VAT refund	10,994	11,398	10,994	11,398
Current tax asset	24,786	3,446	23,142	2,952
Other receivables	5,758	11,709	2,729	10,446
	41,538	26,553	36,865	24,796

NOTE 20 DEFERRED EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2020	2019	2020	2019
Accrued income	3,147	4,847	3,147	4,647
Prepaid rents	1,735	1,731	1,553	1,549
Other deferred expenses	4,486	7,132	693	2,082
	9,368	13,710	5,393	8,278

NOTE 21 FINANCIAL ASSETS AND LIABILITIES

	31 Dec 2020		31 Dec 2019	
	Fair value through profit and loss	Accrued cost	Fair value through profit and loss	Loan and trade receivables
Financial assets				
Trade receivables	–	98,511	–	125,393
Short-term investments	–	–	4,983	–
Forward contracts	2,403	–	–	–
Cash and cash equivalents	–	1,467,883	–	213,831
Financial liabilities				
Trade payables	–	48,046	–	28,491
Forward contracts	–	–	2,473	–

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE The company has taken forward contracts in EUR and USD. The forward contracts have been recognised at their fair value at 31 December 2020. This value is recognised in other receivables. BioGaia's measurement of fair value of assets and financial liabilities through profit or loss is determined according to level 2 in the value hierarchy with the exception of short-term investments where the value is determined according to level 1 in the value hierarchy.

Gains from forward contracts amount to SEK 4.9 million (4.5) and are recognised in operating profit.

The following text summarises the methods and assumptions used to determine fair value for the Group's other financial instruments.

TRADE RECEIVABLES, TRADE PAYABLES AND PREPAYMENTS FROM CUSTOMERS

Since trade receivables, trade payables and prepayments from customers normally have a term that is less than three months why the book value is a good approximation of the fair value.

NOTE 22 EQUITY

The objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to provide a good return to the shareholders. The share capital in BioGaia AB consists of 740,668 class A shares, carrying 10 votes each, and 19,455,794 class B shares, carrying one vote each. The class A and B shares grant equal entitlement to the company's assets and profits. Both the A shares and B shares have a quota value of SEK 1 each. All shares are fully paid-up and no shares are reserved for transfer. No shares are held in treasury by the company itself or by its subsidiaries.

Other contributed capital consists of payments made by the shareholders in excess of the quota value. The new issue carried out in 2020 explains the increase in the share capital and other capital provided. The proceeds from the new issue are reported net after deduction for emission costs and tax. The foreign currency translation reserve arises in translation of the net assets of foreign operations according to the acquisition method.

Retained earnings consist of other equity. The Parent Company's dividend for 2019, a resolved at the 2020 Annual General Meeting, was SEK 65.0 million and corresponded to SEK 3.75 per share. The Board and the CEO propose that for 2020 the company pays a dividend according to policy of SEK 3.41 per share. This corresponds to a total dividend of SEK 68.8 million.

The Board further proposes to the next Annual General Meeting, a provision to the Foundation to Prevent Antibiotic Resistance of SEK 2.8 million.

Non-controlling interests account for 4.0% of the subsidiary BioGaia Pharma's equity.

Equity in the BioGaia Group consists of the sum of equity attributable to the owners of BioGaia AB and equity attributable to non-controlling interests. At 31 December 2020, total consolidated equity amounted to SEK 1,746.2 million (507.9) and equity attributable to owners of the Parent Company amounted to SEK 1,746.2 million (507.9).

DIVIDEND POLICY The company's policy is to pay a shareholder dividend equal to 50% of profit after tax in the Parent Company.

KEY RATIOS, EQUITY

	2020	2019
Number of shares at 31 Dec., thousands	20,196	17,336
Average number of shares, thousands ³⁾	17,855	17,474
Earnings per share, SEK ^{1) 3)}	10.07	10.72
Equity per share, SEK ³⁾	97.80	29.06
Return on equity, %	16	37
Share price on closing day, SEK	537.00	424.50
Dividend per share, SEK ²⁾	3.41	3.75

¹⁾ Key ratios defined according to IFRS.

²⁾ Dividend proposed but not yet approved.

³⁾ The subscription price at the directed new issue announced in October 2020 amounted to SEK 400 per share which corresponded to 94 % of the share's fair value on the date of the new issue. A bonus issue element has been taken into account in the calculation of earnings per share before and after dilutive effects, which means that the comparative figure has been recalculated. There are no other dilutive effects.

NOTE 23 PROPOSED APPROPRIATION OF PROFITS

The following funds in the Parent Company are at the disposal of the Annual General Meeting:

Retained earnings	1,477,466
Profit for the year	137,672
Profits available for appropriation	1,615,138

The Board of Directors proposes that the profits be appropriated as follows

To be paid as a dividend to the shareholders	68,870
Provision to the Foundation to prevent antibiotic resistance	2,800
To be carried forward to new account	1,543,468
Total	1,615,138

NOTE 24 OTHER LIABILITIES

	Group		Parent Company	
	2020	2019	2020	2019
Employee withholding tax	2,694	3,042	2,244	2,244
Current tax liabilities	1,170	3,974	-	-
Other current liabilities	23,245	15,215	-	2,471
	27,109	22,231	2,244	4,715

Other current liabilities include forward contracts at a fair value of SEK 2.5 million in 2019. In 2020 SEK 2.4 million is recognised in other current liabilities. All forward contracts are attributable to level 2 in the fair value hierarchy. Other current liabilities also include a short-term lease liability amounting to SEK 8.9 million and a liability to the former owners of MetaboGen of SEK 11.4 million.

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2020	2019	2020	2019
Accrued holiday pay	17,014	11,861	11,886	9,742
Accrued social security expenses	4,652	4,662	4,116	4,079
Other accrued expenses and deferred income	27,057	37,390	26,961	34,268
	48,723	53,913	42,963	48,089

NOTE 26 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2020	2019	2020	2019
Pledged assets				
Floating charges	-	2,000	-	2,000
Contingent liabilities	None	None	None	None

The floating charges relate to credit for credit cards.

NOTE 27 POLICY FOR FINANCIAL RISK MANAGEMENT

The overall objective of the Group's finance function is to secure cost-effective financing for the Group's operations and group companies and to provide secure cash management with a market-based return on investment. The overall objective of financial risk management is to minimise the risk for negative effects on the Group's earnings. Consequently, the Group's financial investments must have a low risk profile. Below is a description of the Group's assessed risk exposure and the related risk management:

CURRENCY RISK BioGaia conducts operations in various geographical markets and has revenue and expenses in different currencies. This affects both transaction exposure (cash flow) and translation exposure (balance sheet).

Transaction exposure

Breakdown of net sales in 2020 was approximately:	Breakdown of expenses in 2020 was approximately:
EUR 43% (44%)	SEK 55% (49%)
USD 38% (37%)	EUR 22% (25%)
SEK 9% (9%)	JPY 11% (11%)
Other currencies 10% (10%)	USD 11% (14%)
	Other currencies 1% (1%)

In 2020 the company had a cash flow surplus of approximately EUR 20.1 million (19.6), a cash flow deficit of JPY -112.4 million (-64.1) and a cash flow surplus of USD 24.2 million (22.3).

The company previously had a policy relating to forward contracts but following revision of the policy in 2020, no new forward contracts were taken. At 31 December 2020 the company had outstanding forward contracts for EUR 3.5 million at an average exchange rate of SEK 10.72 and USD 0.1 million at an average exchange rate of SEK 8.64. Forward contracts for EUR 3.5 million and USD 0.1 million mature in 2021. The actual exchange gain/loss depends on the exchange rate on the maturity date of the contracts. For more information, see Note 21 and 24. The average exchange rate for EUR/SEK in 2020 was SEK 10.54 (10.59). If the EUR/SEK rate had been SEK 0.10 higher/lower, BioGaia's net sales would have been approximately SEK 3.0 million higher/lower and operating profit approximately SEK 2.0 million higher/lower. The average exchange rate for USD/SEK in 2020 was SEK 9.27 (9.46). If the USD/SEK rate has been SEK 0.10 higher/lower, BioGaia's net sales would have been approximately SEK 3 million higher/lower and operating profit approximately SEK 2.3 million higher/lower. A stronger SEK rate, primarily against EUR and USD, decreases BioGaia's sales and profit but through forward contracts and by working to reallocate a portion of expenses to EUR, the company is working to minimise the impact on profit. BioGaia is also trying to reallocate a portion of revenue from EUR to other currencies.

TRANSLATION EXPOSURE Translation exposure is the risk that the value of the Group's net investments in foreign currencies will be negatively affected by changes in foreign exchange rates.

The Group has two foreign subsidiaries, one in the USA and one in Japan. The assets and liabilities of the American subsidiary, BioGaia Biologics Inc., have been translated at the closing day rate of SEK 8.19 (9.32). The Japanese subsidiary BioGaia Japan Inc.'s assets and liabilities have been translated at a rate of SEK 0.0792 (0.0853).

The translation difference amounted to SEK -1.3 million (0.7) for the American subsidiary and SEK -3.7 million (1.2) for the Japanese subsidiary.

INTEREST RATE AND LIQUIDITY RISK The Group has no external loans. Excess liquidity is invested mainly in bank accounts. For cash and cash equivalents, the company has a liquidity policy in which the basic principles are that investment risks should always be minimised and investments should be made primarily in Swedish kronor. To minimise currency risk, other currencies may also be considered. The company's excess liquidity may be invested only in bank accounts, commercial paper or other fixed income securities with very limited risk. This means that no investments may be made in shares, equity funds, options, etc. Counterparty risk in financial items (cash and cash equivalents) is assessed to be low since cash is held in Nordic banks.

CREDIT AND COUNTERPARTY RISK Credit risk is the risk that the counterpart in a transaction causes a loss for the Group by not fulfilling its contractual obligations. BioGaia's credit risks are tied to trade receivables and for the parent company also loan to subsidiaries. When signing agreements with new customers, BioGaia always carries out an assessment of the customer's financial position. The company has routines for collection of past due trade receivables and additional evaluation of the customers' financial position is carried out when needed in order to minimise risks.

The simplified model is used to determine the expected loss on the Group's trade receivables. When calculating the expected loss the trade receivables have been grouped based on age-structure. The expected loss for trade receivables is calculated with the help of a matrix of historical data, current conditions and forecasts of future economic conditions. No change has occurred in the model's assumptions compared to the previous year.

	Group	
	2020	2019
Trade receivables gross	102,476	128,122
Allowance trade receivables	-3,965	-3,206
Trade receivables net	98,511	124,916

	Group	
	2020	2019
Trade receivables gross	102,476	128,122
Allowance opening balance	-3,206	-1,393
Increase from new receivables	-759	-2,310
Decrease from paid receivables	-	497
Move to impaired	-	-
Trade receivables closing balance	98,511	124,916

Trade receivables are spread over a large number of customers and no customer represents a material part of total receivables. In addition, trade receivables are not concentrated to a specific geographical area. As a consequence, the Group deems the concentration risks to be limited.

The Group's maximal exposure for credit risk consist of the carrying amounts of all financial assets and are outlined in the table below.

	Group	
	2020	2019
Trade receivables	98,511	124,916
Other non-current assets	41,538	26,553
Short term investments	-	4,983
Cash and cash equivalents	1,467,883	213,831
Maximal exposure for credit risk	1,607,932	370,283

CASH FLOW RISK Cash flow for the period amounted to SEK 1,256.6 million (-72.3). Cash flow included a dividend of SEK 65.0 million (173.4) and tax payments of SEK 72.1 million (72.2).

Age analysis of the Group's financial liabilities:

	Due in less than:					Total
	Interest rate	1 month	1-3 months	3-12 months	1-5 years	
31 December 2019						
Non-current liabilities related to acquisition of MetaboGen	-	-	-	-	11,441	11,441
Non-current liabilities (lease liabilities)	3%	-	-	-	13,010	13,010
Current liabilities	-	28,491	6,552	13,643	15,185	63,871
		28,491	6,552	13,643	39,636	88,322
31 December 2020						
Non-current liabilities (lease liabilities)	3%	-	-	-	22,626	22,626
Current liabilities	-	48,978	5,071	26,229	2,197	82,475
		48,978	5,071	26,229	24,823	105,101

Since cash and cash equivalents at 31 December 2020 amounted to SEK 1,467.9 million (213.8), no capital contribution is required during the immediate 12 month period unless acquisitions are carried out. The Group is not exposed to any material liquidity risk as a consequence of lease liabilities. Current lease liabilities amount to SEK 8.2 million (8.6). Non-current lease liabilities amount to SEK 20.7 million (11.4).

PRICE RISK BioGaia buys most of its goods on the international market and has several alternative suppliers, which reduces the company's price risk. BioGaia's price to distributors is largely the same for all, but can vary with respect to the order volume. Certain markets are subject to aggressive price competition towards consumers. However, BioGaia's strategy is not to compete in terms of price but to instead convince doctors of the effectiveness and safety of the products by showing the results of clinical studies.

NOTE 28 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Certain sources of uncertainty in accounting judgements and assumptions are described below.

IMPAIRMENT TESTING OF INTANGIBLE ASSETS IN METABOGEN

The Group recognises intangible assets from the acquisition of MetaboGen which amount to SEK 45.8 million relating to research and development projects and SEK 5.3 million as goodwill. In conjunction with the balance sheet date, impairment testing was performed on the basis of a corresponding valuation model that was used in conjunction with acquisition. Significant assumptions on costs incurred, milestones and the project portfolio have been updated. Since the valuation is based on an assessment of anticipated demand, utilisation and price scenario for the products or technologies, the valuation is inherently uncertain. Testing shows that no impairment requirement exists. See also Note 11 for more information.

The Board of Directors and the CEO hereby give their assurance that the consolidated financial statements and annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and generally accepted auditing practices, and give a true and fair view of the financial position and results of operations of the Group and the Parent Company. The administration report for the Group and the Parent Company gives a true and fair view of the business activities, financial position and results of operations of the Group and the Parent Company, and describes the significant risks and uncertainties to which the Parent Company and the Group companies are exposed.

Stockholm, 17 March 2021

Peter Rothschild
Chairman

Isabelle Ducellier
CEO

David Dangoor
Vice Chairman

Ewa Björling
Member of the Board

Peter Elving
Member of the Board

Maryam Ghahremani
Member of the Board

Anthon Jahreskog
Member of the Board

Niklas Ringby
Member of the Board

Vanessa Rothschild
Member of the Board

Stockholm, 17 March 2021
Deloitte AB

Birgitta Lööf
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of BioGaia AB (publ)
corporate identity number 556380-8723

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of BioGaia AB (publ) for the financial year 2020-01-01-2020-12-31. The annual accounts and consolidated accounts of the company are included on pages 48-78 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. 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 Board of Directors 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.

REVENUE RECOGNITION

The group's sales as of December 31, 2020 amounts to SEK 747 million and mainly consist of two revenue streams, which are described in the company's accounting policies on page 63. The company's revenue is a material item consisting of a large number of transactions that in part relate to some complex, customer specific agreements, requiring managements' critical estimates and assumptions in determining the timing of revenue recognition.

Our audit included but was not limited to the following audit procedures:

- Evaluation of the company's accounting principles for revenue
- Created an understanding of the company's routines and internal controls associated with revenue recognition
- Examination of a selection of transactions to ensure that they have been reported in the correct period
- Examination of margin analyses and comparison to prior year
- Examination that the required disclosures are provided in the annual accounts

VALUATION OF ONGOING RESEARCH AND DEVELOPMENT PROJECTS

The group has recognized intangible assets amounting to SEK 45.8 m relating to ongoing research- and development projects and SEK 5.3m as goodwill, both items relate to the projects identified in connection the acquisition of MetaboGen AB. The company has performed an internal valuation of the items based on individual assessments of the future earnings capabilities and market expectations on return on investments. The value of the ongoing research and development projects as well as the goodwill can be impacted by micro-macroeconomic or company specific events as progress in the projects. The valuations are based on judgement and assumptions that can have a significant impact on the group's financial position. We focused on this area since the recorded value of the assets is material and the assessment of the need for impairment is sensitive for changes in assumptions and therefore a key audit matter.

Our audit included but was not limited to the following audit procedures:

- Review and assessment of BioGaia's procedure to prepare input to the valuations, and that procedures are consistently applied and that there is integrity in the process.
- Review of input data and calculations in the valuation.
- We have evaluated if disclosures provided in note 11 ("Intangible assets") in the company's notes are appropriate, specifically with regards to disclosure of which of the stated assumptions that are most sensitive in calculating the fair value.
- Evaluation of the reasonableness in the assumptions on which the valuation is based by comparing with external data sources and previous years assumptions to actual results.
- We have used required valuations specialists in our team in conducting our review.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The other information consists of the remuneration report and information other than annual accounts and consolidated accounts and can be found on the pages that do not include the annual report, the sustainability report or the corporate governance report. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such

internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

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.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisormsansvar This description forms part of the auditor's report"

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 BioGaia AB (publ) for the financial year 2020-01-01-2020-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated 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. A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rm/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

Deloitte AB, was appointed auditor of BioGaia AB by the general meeting of the shareholders on the 2020-05-07 and has been the company's auditor since 2015-05-22.

Stockholm, 17 March 2021

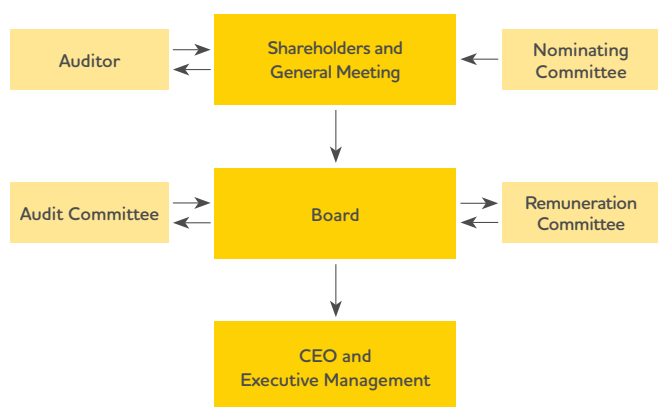
Deloitte AB

Birgitta Lööf

Authorized public accountant

Corporate governance report 2020

Corporate governance in BioGaia BioGaia, a Swedish public limited company whose class B shares are listed on the Nasdaq OMX Nordic Exchange Stockholm, applies the Swedish Corporate Governance Code (the Code). The Code is available at www.bolagsstyrning.se, where the Swedish model for corporate governance is also described. This corporate governance report is submitted in accordance with the Swedish Companies Act and the Code and describes BioGaia's corporate governance during the 2020 financial year. In 2020, BioGaia has not deviated from the rules set out in the Code nor committed any violations of Nasdaq Stockholm's rules or good practice in the Swedish securities market. The corporate governance report has been reviewed by BioGaia's auditor, as set out on page 83.



Shares At year-end 2020 the share capital in BioGaia amounted to SEK 20,196,462 consisting of 740,668 class A shares carrying 10 votes per share and 19,455,794 class B shares carrying one vote per share. Annwall & Rothschild Investment AB owns 4.16% of the capital and 27.94% of the voting rights in the company. Other individual shareholders hold less than 10% of the share capital and voting rights. Additional information about the company's shares, shareholders, etc., is presented on page 84 and on the company's website under the heading Investors.

General Meeting of Shareholders The General Meeting of Shareholders is the company's highest decision-making body. Notice of a general meeting of BioGaia's shareholders is given through an announcement in Post- och Inrikes Tidningar and on the company's website. An announcement that notice has been given is published in Svenska Dagbladet.

BioGaia's 2021 Annual General Meeting will be held on 6 May 2021 and a notice of the Annual General Meeting will be sent out in April 2021. Shareholders who wish to have items included on the agenda of the meeting have, in accordance with instructions on the company's website, had an opportunity to submit a proposal to the company no later than seven weeks prior to the meeting.

In addition to statutory rights of shareholders to attend a general meeting it is a requirement in BioGaia's Articles of Association for shareholders who wish to participate in a General Meeting of Shareholders to notify the company no later than the day stipulated in the notice of the meeting. This day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday prior to the meeting.

Each shareholder in BioGaia entitled to vote may vote for the full number of shares owned and represented by the shareholder with no limit to the number of votes. Class A shares carry entitlement to ten votes and class B shares carry entitlement to one vote. If relevant notice shall also be given of whether the shareholder intends to be accompanied by an assistant. Documents related to general meetings as well as meetings from earlier annual general meetings and extraordinary general meetings are available on the company's website under the heading Investors/Corporate governance.

Nominating Committee The task of the Nominating Committee is to prepare recommendations regarding election and remuneration for decision by the Annual General Meeting. The 2020 AGM resolved that the Nominating Committee would be appointed as follows: The Board Chairman shall convene the four largest shareholders in the company, each of which has the right to appoint a member to the Nominating Committee together with the Board Chairman. In determining the composition of the

Nominating Committee, the largest shareholders in terms of voting power shall be based on the ownership situation at 30 June 2020. The Nominating Committee shall be chaired by the member representing the largest shareholder on that date. If any of the four largest shareholders should waive its right to appoint a member to the Nominating Committee, the next largest shareholder in order of voting power shall be given the opportunity to appoint a member. The names of the four shareholder representatives shall be made public as soon as they are appointed, but no later than six months prior to the 2021 Annual General Meeting. The Nominating Committee's term of office shall extend until a new Nominating Committee has been appointed.

In the event that the shareholder represented by a member is no longer one of the four largest shareholders in terms of voting power, and if the Nominating Committee deems it appropriate, the member shall leave and a representative for the next largest shareholder in order of voting power be given the opportunity to replace this member. In the event that an appointed member of the Nominating Committee resigns from the Nominating Committee for some other reason, the shareholder who has appointed the member in question has the right to appoint a new member to the Committee. If this shareholder waives its right to appoint a new representative, the Nominating Committee, if it deems so appropriate in respect of the remaining mandate period, shall ask the next largest shareholder in terms of voting power if it wishes to appoint a representative to the Nominating Committee.

The Nominating Committee shall prepare proposals for the following matters to be put before the 2021 Annual General Meeting for resolution:

- appointment of the Chairman of the Annual General Meeting
- election of the Board of Directors
- election of the Board Chairman and possible Vice Chairman
- fees for Board members
- election of auditors
- fees for the auditors
- reasonable costs for the Nominating Committee
- appointment of the Nominating Committee ahead of the 2022 Annual General Meeting.

In accordance with the Annual General Meeting's resolution the Nominating Committee has been appointed and consists of Board Chairman Peter Rothschild, Per-Erik Andersson (also Chairman of the Nominating Committee), appointed by Annwall & Rothschild Investment AB, the company's largest shareholder, Fredrik Åtting, appointed by the company's second-largest shareholder, EQT, Jannis Kitsakis, appointed by the company's third-largest shareholder, the Fourth Swedish National Pension Fund, and Caroline Sjösten, appointed by the company's fourth-largest shareholder, Swedbank Robur Fonder. All members of the Nominating Committee, except for Peter Rothschild, are independent in relation to the company and its management. No fees are paid by the company for work in the Nominating Committee but BioGaia shall meet reasonable costs that the Nominating Committee deems necessary for completion of its assignment.

All shareholders have had the opportunity to contact the Nominating Committee with recommendations for Board candidates for further evaluation within the framework of the Committee's work. No suggestions or proposals have been submitted to the Nominating Committee as of today's date. The Nominating Committee presents a written motivation to the AGM for election of Board members. In its motivation the Nominating Committee takes into account diversity and breadth in the Board and seeks an even gender distribution.

Board of Directors' size and composition The Board is ultimately responsible for BioGaia's organisation and management of its business. According to BioGaia's Articles of Association the Board shall consist of fewer than five and no more than eight members with no more than eight deputies. The Board has consisted of seven members (without deputies) until 25 November 2020 and subsequently of eight members (without deputies). The current composition of the Board is the result of the Nominating Committee's work ahead of the 2020 Annual General Meeting and the resolution of the Extraordinary General Meeting in November 2020 (due to the entrance of EQT as a major shareholder through a new issue) to complement the Board with one additional member. The Nominating Committee has applied the Code's rule 4.1 as a diversity policy when drafting the proposal to the Board. The Nominating Committee considers, which has also been the Nominating Committee's aim with the policy, that the Board has an appropriate composition and size and is characterised by diversity and breadth with regard to members' competence and experience within areas of strategic importance for BioGaia. A presentation of the Board is provided on page 87.

Board independence According to the Code, a majority of the Board shall be independent of the company and its executive management. At least two of the independent members shall also be independent in relation to the company's major shareholders. The composition of the Board meets the requirements in the Code related to board members' independence.

The work of the Board According to the Board's rules of procedure, the Board shall hold at least five Board meetings during the year, in addition to the statutory meeting. BioGaiia has appointed an external lawyer to serve as Secretary at Board meetings. The CEO is not a member of the Board but, together with the company's CFO and Legal Counsel, is co-opted to attend all Board meetings. Other executives in the company take part in Board meetings in order to present reports. Every Board meeting has included an item on the agenda where the Board has had an opportunity for discussion without representatives of executive management being present.

The Board held 15 meetings in 2020. For information about attendance at these meetings, see the table below. Ahead of Board meetings, members have received an agreed agenda for the meeting together with written material regarding issues to be handled at the meeting. A key part of the work of the Board is the financial reports that are presented, including the six-month report, interim management statements and year-end report. In addition, during the year the Board has dealt with matters relating to the new issue carried out in autumn 2020, expansion issues, major investments and strategic issues.

The Board has adopted rules of procedure for its work as well as CEO instructions which describe the division of work between the Board and the CEO. The Board has also adopted a number of instructions and policies for conducting operations, for example authorisation instructions, a Code of Conduct, Finance Policy, Communication Policy, Insider Trading Policy, Anti-Bribery and Anti-Corruption Policy, Data Protection Policy, Diversity and Work Environment Policy.

Evaluation of the Board Within BioGaiia's Board there are routines for an annual evaluation of the work of Board members. The evaluation provides a basis for an action plan for improvements as well as for the work of the Nominating Committee with the composition of the Board. With regard to 2020, an extensive evaluation of the work of the Board was carried out including interviews with each member. The purpose of the evaluation is to gain an idea of the opinions of Board members on how the work of the Board is conducted and what measures might be taken to streamline the work of the Board. The intention is also to find out what type of issues the Board considers should be given more space and in which areas additional competence might be required in the Board. The results of the evaluation have been discussed by the Board and reported to the Nominating Committee.

Remuneration Committee The Board has appointed a Remuneration Committee from among its members to prepare recommendations and other terms of employment for the CEO and other senior executives who together make up the Executive Management. The principles for remuneration to senior executives are resolved by the Annual General meeting. The task of the Remuneration Committee is to prepare proposals based on these principles. The Remuneration Committee consists of David Dangoor (chairman), Peter Rothschild and Peter

Elving. The Remuneration Committee held one minuted meeting in 2020 where all members of the committee were present.

Audit Committee The Board has appointed an Audit Committee from among its members. The key task of the Audit Committee is to support the Board with quality assurance of the financial reporting. The Audit Committee also prepares matters relating to regulatory compliance. The committee holds regular meetings with the company's auditors and evaluates audit work. The committee discusses significant accounting issues that affect the Group and assists the Nominating Committee in the preparation of proposals for auditors and their remuneration. The chairman of the Audit Committee is responsible for ensuring that the entire Board is kept informed about the work of the committee as well as, when necessary, presenting the Board with matters for decision. The Audit Committee's members comprise Anthon Jahreskog (chairman) and David Dangoor. The Audit Committee held five minuted meetings during 2020. The members of the Audit Committee attended each meeting. The auditors have attended and reported to the meeting that examined the interim report for the second quarter and in conjunction with the year-end report.

CEO and Executive Management The company's chief executive officer (CEO) is appointed by the Board. The CEO is responsible for overseeing the company's business development and for supervising and coordinating its day-to-day operations. The Board has established instructions for the CEO that among other things regulate management and development of the company and the provision of reports and decision data to the Board. The CEO prepares the required information and decision data such as reports on the company's finances, the order situation, significant business matters and strategic issues prior to Board meetings, as well as presenting reports and motivating proposals for decision. According to the CEO Instructions, the CEO shall refer the following matters to the Board for decision:

- Investments and similar in amounts in excess of SEK 2 million
- Decisions on the purchase and sale of real property, shares or acquisition of another company's operations in excess of SEK 2 million.
- Decisions on the formation of subsidiaries
- Raising loans.
- Entering agreements with a term of more than seven years.
- Initiating processes of major scope as well as settlement of disputes of material significance.
- Other matters of material financial or other significance.

The CEO prepares requisite information and basis for decisions such as reports relating, among other things, to the company's finances, order situation, significant transactions and strategic issues ahead of Board meetings and makes presentations including motivated proposals for decision. The CEO also keeps the Board Chairman regularly informed about the company's operations. The Board evaluates the work of the CEO annually. No member of Executive Management is present at this evaluation. Executive Management is presented on page 86. Executive Management is headed by the CEO and is responsible for planning, supervising and monitoring the company's day-to-day operations. Minuted meetings

BOARD ATTENDANCE 2020¹⁾

Name	Elected in	Independent in relation to the company/shareholders	Board meeting attendance	Audit Committee attendance	Remuneration Committee attendance	Board fee	Fee Audit Committee	Fee Remuneration Committee	Fixed salary
Peter Rothschild	2018	No	15 of 15		1 of 1	650,000		20,000	995,000
David Dangoor	2003	Yes	15 of 15	5 of 5	1 of 1	450,000	50,000	40,000	
Ewa Björling	2015	Yes	14 of 15			250,000			
Peter Elving	2018	Yes	15 of 15		1 of 1	250,000		20,000	
Anthon Jahreskog ⁵⁾	2015	Yes	15 of 15	5 of 5		250,000	100,000		
Inger Holmström ²⁾	2007	Yes	5 of 5			0			
Brit Stakston ²⁾	2014	Yes	3 of 5			0			
Vanessa Rothschild ³⁾	2020	No	10 of 10			250,000			
Maryam Ghahremani ³⁾	2020	Yes	9 of 10			250,000			
Niklas Ringby ⁴⁾	2020	Yes	1 of 1			0			

1) All members of the Board who have been prevented from participating in a Board meeting have been given the opportunity to present their views to the Chairman prior to the meeting.

2) Resigned from the Board at the Annual General Meeting in May 2020

3) Elected to the Board at the Annual General Meeting in May 2020

4) Elected to the Board at the Extraordinary General Meeting in November 2020

5) Is not independent in relation to shareholder Sebastian Jahreskog, who is not a major shareholder.

6) Is not independent in relation to shareholder EQT, who is not a major shareholder.

are normally held once a month. The responsibilities and powers of the Executive Management are defined in the job descriptions and in authorisation instructions.

Auditors BioGaia's are normally appointed by the Annual General Meeting to serve for a period of one year. The 2020 Annual General Meeting resolved on re-election of the registered auditing firm of Deloitte AB to serve for the period until the end of the Annual General Meeting to be held in 2021. The auditing firm appointed Birgitta Löf as Auditor in Charge. By decision of the Annual General Meeting, auditing fees are paid according to approved account.

The auditors examine the administration of the company by the Board of Directors and the CEO and the quality of the company's financial reporting. At the request of the Board, the auditors also review the semi-annual report and the year-end report.

The auditors report the results of their review to the shareholders through an audit report, which is presented to the Annual General Meeting. In addition, the auditors submit written and oral reports to the Executive Management, the Audit Committee and the Board. The auditors take part in and report to the Audit Committee in conjunction with the interim report for the second quarter and the year-end report. In addition, the auditors participate in at least one Board meeting a year in accordance with the Code.

The auditors also submit an auditor's statement on the corporate governance report, the sustainability report and a report on the examination of remuneration to senior executives.

Deloitte has also provided other audit-related services. Information about remuneration to the auditors can be found in Note 4 of the annual report. Furthermore, the entire Board of Directors meets with the auditors at least once a year without the presence of the CEO or other members of the Executive Management.

The Board's report on internal control over financial reporting for the financial year 2020

Introduction Pursuant to the Swedish Companies Act, the Swedish Annual Accounts Act and the Code, the Board of Directors is responsible for internal control. This description has been prepared in accordance with these rules and provisions and is thereby limited to internal control over financial reporting.

Internal control of financial reporting The Board is responsible for ensuring that the company's organisation is suitably structured so that the financial accounts, cash management and other financial conditions can be controlled satisfactorily.

Every year, the Board of Directors adopts rules of procedure for the Board's activities and instructions regulating the division of responsibilities between the Board and the CEO. The instructions state which matters require approval or authorisation from the Board. At Board meetings, the CEO reports on matters requiring consideration by the Board.

The CEO ensures that the Board is provided with the objective, detailed and relevant information needed for the Board to make well-founded decisions and that the Board is continuously informed about the company's business development and financial position.

Aside from the instructions between the Board and the CEO, BioGaia's control structure is based on the company's organisation and way of conducting operations, where roles and responsibilities are defined. There is a high level of employee awareness about the importance of maintaining good control over financial reporting. The company's financial development is assessed and monitored monthly. Financial reports and summaries are prepared by the Group's finance department and are presented to the Board quarterly and to the Executive Management monthly.

The company's values BioGaia has a set of shared values and the company's employees are well aware of these. This is ensured through interviews in connection with new recruitment and through regular workshops with each department.

Risk assessment The company works continuously with risk assessment and risk management to ensure that the risks to which the company is exposed are handled within the limits ultimately established by the Board. The Executive Management continuously analyses the company's business processes with regard to efficiency and risks.

This work includes identifying significant risks for misstatements and deficiencies in the financial reporting and ensuring that there are suitable processes and controls in the company's operations to limit these risks. The most critical business processes and the absolutely largest values, in terms of both assets and business/product development, are found in the Parent Company. In addition, the bulk of sales take place in the Parent Company. Processes that are deemed to be of special importance to BioGaia are sales including quality assurance, R&D and manufacturing.

Control activities The risks identified in the financial reporting are managed through a number of control activities in the company's processes. Processes and controls are reviewed and updated regularly in order to detect, prevent and correct any errors or deficiencies. The control structure also includes the division

of powers and responsibilities and the Executive Management's monthly review of the company's financial information.

Information and communications BioGaia has information and communication paths that are designed to promote the completeness and accuracy of the financial reporting. Authorisation instructions and policies are distributed to all employees and can be viewed on the company's intranet. All of BioGaia's employees normally meet once a year to increase their knowledge about the company's processes and goals and to exchange information and experiences.

Monitoring The Executive Management performs a yearly evaluation of the effectiveness of internal control. Every year, the company's elected auditing firm, Deloitte AB, also reviews a selection of BioGaia's routines and internal controls. The Board then evaluates this information and ensures that measures are taken in respect of the identified deficiencies and resulting recommendations.

The company has no special review function (internal audit). In light of the company's size and the volume of transactions, together with the expertise in this area possessed by the Board of Directors and the Board's meeting with the independent auditor, the Board has determined that there is no reason to set up a formal internal audit function.

Stockholm 17 March 2021

Peter Rothschild
Board Chairman

David Dangoor
Vice Chairman

Ewa Björling
Member of the Board

Peter Elving
Member of the Board

Maryam Ghahremani
Member of the Board

Anthon Jahreskog
Member of the Board

Niklas Ringby
Member of the Board

Vanessa Rothschild
Member of the Board

Auditor's report on the corporate governance report

To the general meeting of the shareholders in BioGaia AB (publ) corporate identity number 556380-8723

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors which is responsible for the corporate governance statement for the financial year from 1 January 2020 to 31 December 2020 on pages 81-83 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard 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.

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 of the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 17 March 2021

Deloitte AB

Birgitta Löf
Authorised Public Accountant

The BioGaia share

Figures in parentheses refer to the previous year

TRADING VOLUME BioGaia AB's class B shares have been quoted on the OMX Nordic Exchange Stockholm since May 1998. On 1 January 2012, the shares were moved from the Small Cap List to the Mid Cap List.

In 2020 BioGaia shares were traded for a total of approximately SEK 3.923 million (2,518) corresponding to approximately 8.3 million shares (6.1).

The number of shareholders at 31 December 2020 was 9,064 (8,921).

The total registered share capital of BioGaia AB consists of 740,668 class A shares and 19,455,794 class B shares.

SHARE PRICE DEVELOPMENT The share price increased from SEK 424.5 to SEK 537 in 2020. The highest closing price during the year was SEK 595 and the lowest price was SEK 315. Market capitalisation at 31 December 2020 was approximately SEK 10,448 million (7,045).

DIVIDEND POLICY BioGaia's policy is to pay a shareholder dividend equal to 50% of profit after tax in the Parent Company. Historically, the dividend policy has been to pay the shareholders 40% of the profit after tax in the Parent Company.

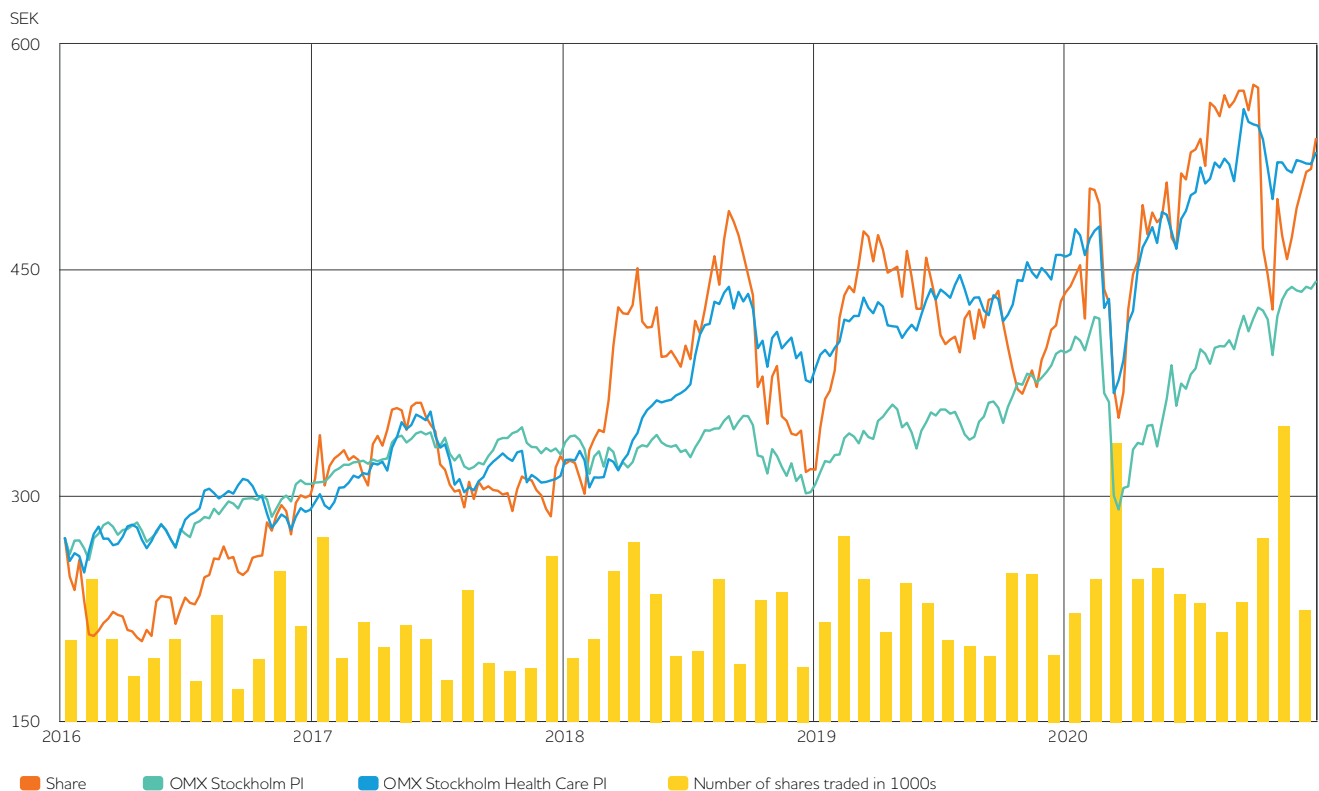
INCENTIVE PROGRAMME The company has an incentive programme for all employees based on the company's sales and profit. The maximum bonus is equal to 12% of salary. Some of the bonus (a maximum of one-third) relates to a long-term incentive programme where the employee is required to reinvest the yearly paid-out compensation (after tax) in BioGaia class B shares and hold these for at least three years. BioGaia has no obligation to repurchase shares nor do employees have any obligation to divest shares in the event employment

is terminated within three years from the date of reinvestment.

DISTRIBUTION OF OWNERSHIP

Number of shares	Total number of shareholders	
	31 December 2020	31 December 2019
1–500	8,088	7,921
501–1,000	456	477
1,001–5,000	339	343
5,001–10,000	61	62
10,001–15,000	26	19
15,001–20,000	14	9
20,001–	80	90
Total number of shareholders:	9,064	8,921

THE BIOGAIA SHARE



Largest shareholders in BioGaia at 31 December 2020 (source: Monitor)

	A shares	B shares	Share capital, %	Votes, %
Peter Rothschild & Jan Annwall	740.668	100.000	4.16 %	27.94 %
EQT		1.625.000	8.05 %	6.05 %
Fjärde AP-Fonden		1.521.584	7.53 %	5.66 %
Swedbank Robur Fonder		1.112.405	5.51 %	4.14 %
Miton Asset Management		1.003.881	4.97 %	3.74 %
Cargill Inc		600.000	2.97 %	2.23 %
TIN Fonder		531.835	2.63 %	1.98 %
Tredje AP-fonden		380.263	1.88 %	1.42 %
Didner & Gerge Fonder		376.517	1.86 %	1.40 %
Juno Investment Partners		371.038	1.84 %	1.38 %
Other shareholders		11.833.271	58.59 %	44.05 %
Total	740,668	19,455,794	100%	100%

Changes in share capital since the company's formation

Year	Transaction	Increase in no. of shares	Increase in share capital, SEK	Total share capital, SEK	Total no. of A shares	Total no. of B shares	Quota value, SEK	Issue proceeds, SEK
1990	Company founded			150.000		30.000	5.00	–
1991	New share issue	12.857	64.285	214.285		42.857	5.00	4.500.000
1993	New share issue	12.554	62.770	277.055		55.411	5.00	4.394.341
1995	New share issue	2.303	11.515	288.570		57.714	5.00	806.009
1996	Bonus issue/Split	60.541.986	5.771.400	6.059.970	4.740.278	55.859.422	0.10	–
1996	New share issue	18.200.000	1.820.000	7.897.970	4.740.278	74.059.422	0.10	15.320.000
1997	New share issue Banco Fonder	2.608.696	260.870	8.140.840	4.740.278	76.668.118	0.10	5.760.000
1997	New share issue BioGaia Fermentation	4.400.000	440.000	8.580.840	4.740.278	81.068.118	0.10	7.469.000
1997	New share issue	21.452.099	2.145.210	10.726.050	5.925.347	101.335.148	0.10	38.597.265
1998	New share issue	5	1		5.925.350	101.335.150	0.10	20
1998	Reverse split				592.535	10.133.515	1.00	–
1998	New share issue (IPO Stockholm Stock Exchange)	2.681.512	2.681.512	13.407.562	740.668	12.666.894	1.00	57.934.131
2000	New share issue November	3.275.000	3.275.000	16.682.562	740.668	15.941.894	1.00	73.031.886
2000	New share issue December	425.000	425.000	17.107.562	740.668	16.366.894	1.00	11.505.294
2004	New share issue Industrifonden	100.000	100.000	17.207.562	740.668	16.466.894	1.00	100.000
2010	New share issue warrant programme	63.400	63.400	17.270.962	740.668	16.530.294	1.00	4.862.780
2015	New share issue warrant programme	65.500	65.500	17.336.462	740.668	16.595.794	1.00	15.844.450
2020	New share issue ¹⁾	2.860.000	2.860.000	20.196.462	740.668	19.455.794	1.00	1.144.000.000

¹⁾ Excluding underwriting costs



Top row from left

Gianfranco Grompone

Vice President Discovery and Research. Born in 1975. PhD in Microbiology, Cell and Molecular Biology and Engineer from ENSAR, France. Employed by the company since 2020. Holds 0 shares.

Henrik Nilsson

Vice President Operations. Born in 1969. MSc in Chemical Engineering, Chalmers University of Technology and certificate in Process Business Management, The University of Warwick. Employed by the company since 2020. Holds 0 shares.

Ulrika Köhler

Executive Vice President Marketing. Born in 1966. BSc Biology with extended studies in microbiology. Employed by the company since 2013. Holds 40 B shares.

Peter Persson

Managing Director BioGaia Production. Born in 1969. Employed by the company since 2013. Holds 2,180 B shares.

Angelika Kjelldorff

Vice President Human Resources. Born in 1969. BsC in Human Resources Stockholm University. Employed by the company since 2019. Holds 1,000 B shares..

Sebastian Schröder

Executive Vice President Business Development. Born in 1973. MSc Business Administration from the Stockholm School of Economics. Employed by the company since 2015. Holds 400 B shares.

Bottom row from left

Marika Isberg

Vice President RA and Legal. Born in 1973. Degree of Master of Laws and BSc in Economics. Employed by the company since 2016. Holds 40 B shares.

Urban Strindlöv

Executive Vice President Sales. Born in 1964. Mechanical Engineer. Employed by the company since 2004 and in current position since 2010. Holds 65 B shares.

Alexander Kotsinas

Executive Vice President Finance. Born in 1967. MSc Applied Physics, Royal Institute of Technology, Stockholm and BSc Economics, Stockholm School of Economics. Employed by the company since 2019. Holds 400 B shares.

Isabelle Ducellier

Chief Executive Officer. Born in 1969. Master in International Marketing from EM in Lyon and Executive MBA General Management GMP from Harvard Business School. Employed by the company since 2018. Previously Secretary General of the Swedish Childhood Cancer Fund and CEO and board assignments in Pernod Ricard Sweden. Holds 3,133 B shares.



Peter Rothschild Born in 1950. Board Chairman. Elected to the Board in 2018. MBA from the Stockholm School of Economics. Founder and principal shareholder of BioGaia. President 1996–2016 and Group President 2016–2018. Chairman of the subsidiaries BioGaia Pharma AB, MetaboGen AB and the Foundation To Prevent Antibiotic Resistance. Also Chairman of the Board of Infant Bacterial Therapeutics AB (IBT) and with board assignment in Glycom AB, Looft Industries AB and Allbright. Holds 740,668 A shares and 100,000 B shares via Annwall & Rothschild Investments AB (a company owned jointly with co-founder Jan Annwall).



David Dangoor Born in 1949. Board Vice Chairman. Elected to the Board in 2003. BioGaia Board Chairman 2007–2018. MBA from the Stockholm School of Economics. Marketing and PR consultant. President of Innovative Partners LLC. Former Executive Vice President and Marketing Director at Philip Morris USA and Philip Morris International. Other board assignments: New York City Ballet Inc., School of Creative Leadership, Berlin University and Swedish-American Chamber of Commerce (chairman 1997–2001). Holds 350,000 B shares.



Niklas Ringby Born in 1980. Elected to the Board in 2020. M.Sc. in Economics and Business Administration from the Stockholm School of Economics including studies at Carlson School of Management MBA program, University of Minnesota. In addition, M.Sc. in Industrial Engineering and Management from the Royal Institute of Technology including studies at ETH in Zurich. Partner and Co-Head of EQT Public Value and Chairman of Public Value's Investment Committee. Member of EQT's Extended Executive Committee. Previously at Boston Consulting Group. Previous board assignments include Independent Vetcare, Evidensia and Dometic. Other current board assignments: Bygghemma Group. Holds 0 shares.



Peter Elving Born in 1948. Elected to the Board in 2018. MBA from the Stockholm School of Economics and EPBA, Columbia University, New York. Formerly leading positions within Kraft Foods in Sweden and internationally, including CEO of Kraft Foods Nordic for many years. Other board assignments: Electra Gruppen AB (chairman), Euronic Denmark A/S (vice chairman). Holds 0 shares.



Ewa Björling Born in 1961. Elected to the Board in 2015. Doctor of Dentistry, Doctor of Medicine and Associate Professor at the Karolinska Institute. Member of the Swedish Riksdag 2002–2014. Minister for Trade in the Swedish Government 2007–2014. Minister for Nordic Cooperation 2010–2014. Other board assignments: Essity AB, Mobilaris AB, The Foundation to Prevent Antibiotic Resistance. Board Chairman: Xolaris AB, Svenska Petroleum and Biofuel Institute (SPBI). Holds 0 shares.



Vanessa Rothschild Born in 1986. Elected to the Board in 2020. Bachelor's degree in International Economics and Management from University L. Bocconi in Milan and has also studied business and market strategy and decision psychology at HEC in Paris. Chief Innovation Officer at Itsapark, Berlin. Previously at H&M Group as Global Manager for Sustainability, Steering and Development and other positions within sustainability and buying. Other positions include Regional Sales Manager at BioGaia and COO at Iero. Holds 32 B shares.



Anton Jahreskog Born in 1980. Elected to the Board in 2015. MSc Financial Management. Former Chief Operating Officer Fund Linked Products, Credit Suisse Investment Bank, London. Other board assignments: Infant Bacterial Therapeutics AB (IBT) and Fast Track Holdings Ltd. Holds 0 shares.



Maryam Ghahremani Born in 1981. Elected to the Board in 2020. Studied business administration at Lund University and Kristianstad University. CEO of Bambuser since 2018. Previously in various leading positions within digitalisation in companies such as Schibsted, Aftonbladet and Acast. Holds 0 shares.



GLOSSARY

Antibiotics

Medications that kill or inhibit the growth of bacteria and other microorganisms.

Helicobacter pylori

Very commonly occurring bacteria in large parts of the world population. Resides in the stomach and may lead to peptic ulcers and gastric cancer.

Clinical research

At BioGaia this relates to research conducted in humans.

Lactobacillus

Lactic acid bacteria. A collective name for a group of microorganisms that occur naturally in various foods such as yoghurt, olives and pickled vegetables. In the past, we ingested a great deal of lactic acid bacteria, but today our diet lacks these beneficial bacteria. Some lactic acid bacteria are also present in the human commensal flora.

Lactic acid bacteria have different properties and may thus provide different health effects when consumed. There are a large number of lactic acid bacteria, for example *L. reuteri* and *L. acidophilus*.

Limosilactobacillus reuteri (*L. reuteri*)

Species within the genus *Limosilactobacillus*. Most of BioGaia's patented probiotic lactic acid bacteria are various strains of *Limosilactobacillus reuteri*, for example *Limosilactobacillus reuteri* Protectis.

Limosilactobacillus reuteri was previously called *Lactobacillus reuteri*. The name was changed in conjunction with a taxonomic change in 2020 when a large number of genera were given new names.

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L. reuteri Gastrus

Combination of two strains of *L. reuteri*, used in BioGaia's digestive health product for use in connection with *Helicobacter pylori* infection.

L. reuteri Prodentis

Combination of two strains of *L. reuteri*, used in BioGaia's oral health products.

L. reuteri Protectis

Strain of *L. reuteri*, used in BioGaia's digestive health products for children and adults.

Partner

BioGaia calls the companies that distribute and sell the company's products partners.

Probiotics

Live microorganisms that, when administered in adequate amounts, confer a health benefit on the host.

Resistant bacteria

Bacteria that have become resistant to one or several antibiotics.

BioGaia®

Probiotics grounded in evolution
Driven by science

BioGaia is an innovative Swedish healthcare company and has been a world-leader in food supplements with probiotics for 30 years. The products are based mainly on different strains of *L. reuteri* and are sold by distribution partners in more than 100 countries.

