

BioGaia®

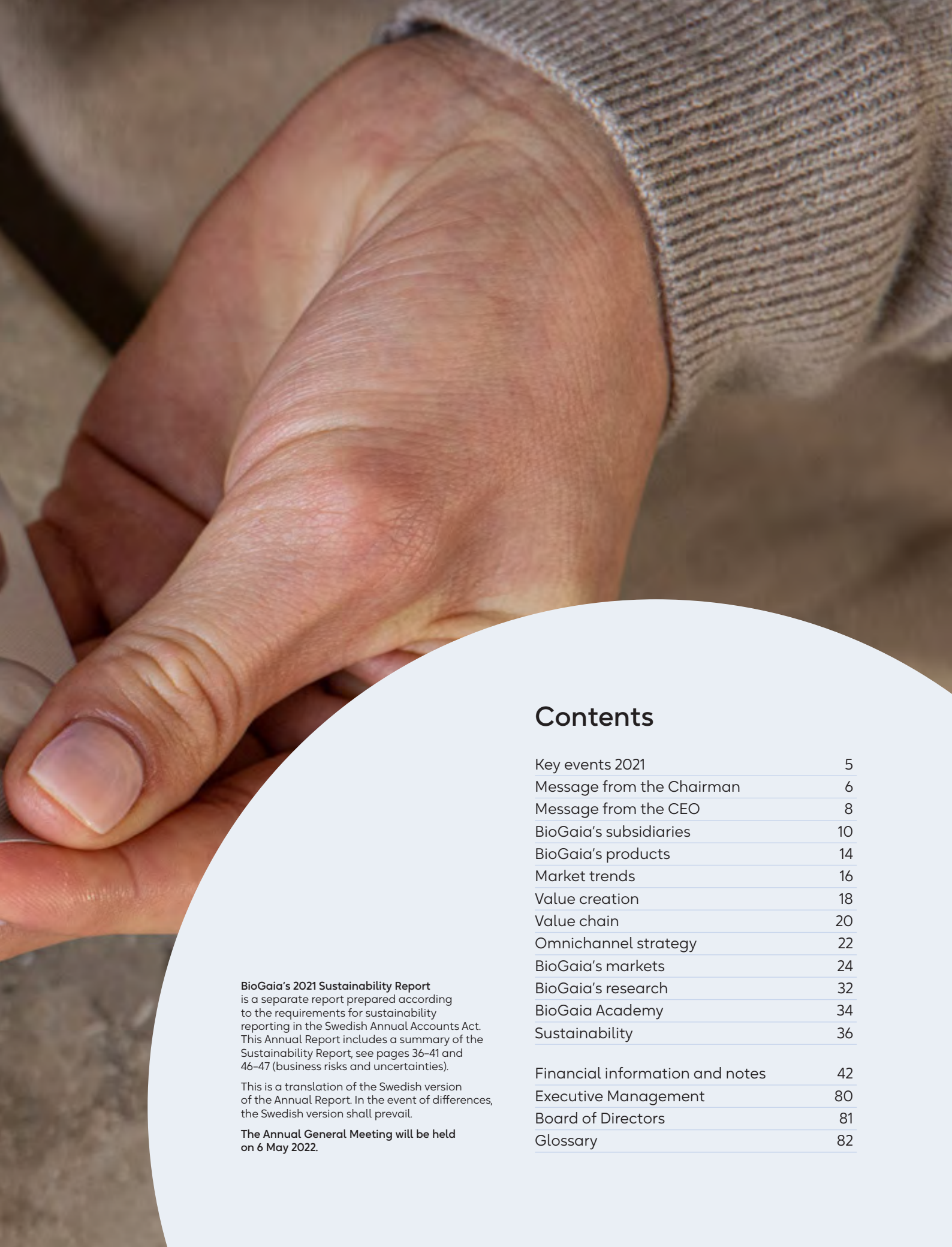
A photograph of a man and a woman smiling and embracing each other. The man is on the left, wearing a light-colored cable-knit sweater, and the woman is on the right, wearing a dark grey cable-knit sweater. They are outdoors, with a blurred background of water and hills. The text 'Annual Report 2021' is overlaid on the image in a large, white, sans-serif font.

Annual Report  
2021

*"Since we started BioGaia 32 years ago, we have developed into a world-leading probiotics company at the forefront of microbiome research with safe, effective and consumer-friendly products on the global market. This is a very strong platform that we are now leveraging to become even more consumer-oriented."*

PETER ROTHSCHILD,  
FOUNDER

ioGaia



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**BioGaia's 2021 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 36–41 and 46–47 (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.

**The Annual General Meeting will be held on 6 May 2022.**

# BioGaia in brief

## Company presentation

### Vision

Become the world's most trusted global probiotics brand.

### Mission

To provide the world with probiotics that have clinically proven positive effects on health and well-being.

### Positioning

Food supplements with clinically tested, high-quality probiotics that are sold through pharmacies and via online retail platforms.

### Core Values

Innovation / Collaboration / Passion

### Class B share of the Parent Company BioGaia AB

BioGaia's share is listed on the Mid Cap segment of the Nasdaq OMX Nordic Stockholm Exchange.

## BioGaia AB organisation



## Key events 2021

### First quarter

- BioGaia establishes BioGaia Invest, a new subsidiary focusing on innovative investments
- MetaboGen secures ethical approval to start new clinical study for prediabetes
- BioGaia revises dividend policy
- BioGaia launches entire Adult Health portfolio in Sweden

### Second quarter

- BioGaia starts new subsidiary in Finland and takes over local distribution of BioGaia brand
- PAR (The Foundation to Prevent Antibiotic Resistance), set up by BioGaia, allocates a total of SEK 3 million to three different projects in Ghana, Portugal and Sweden in its first round of international applications
- Clinical study shows that a combination of *L. reuteri* strains reduces symptoms in children with sore throat
- BioGaia signs exclusive agreement in Egypt for BioGaia Protectis drops

### Third quarter

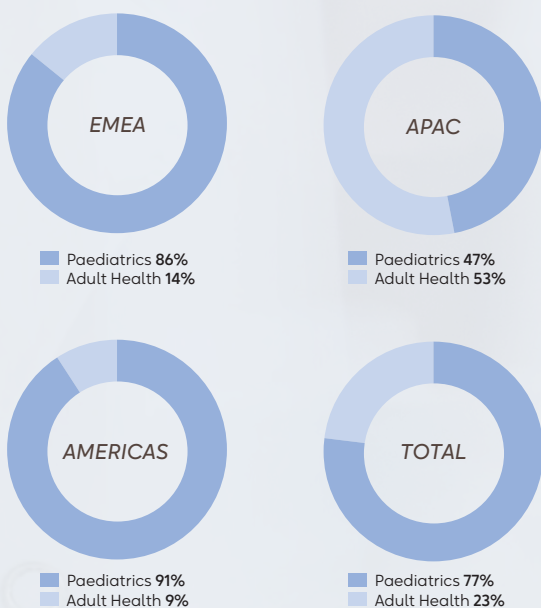
- BioGaia Pharma secures approval for two clinical studies for its pharmaceutical candidates
- BioGaia research wins first prize at the International Symposium on Lactic Acid Bacteria
- BioGaia acquires remaining shares in MetaboGen

### Fourth quarter

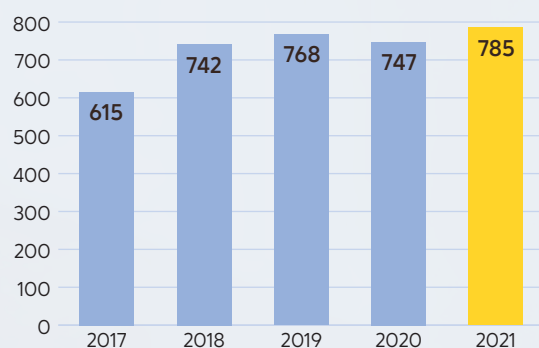
- BioGaia starts its own distribution in the UK
- BioGaia's profit for third quarter exceeds market expectations
- BioGaia acquires its US distributor – strengthening its market position in the USA

## Key figures 2021

### Sales by market and segment



### Annual sales past 5 years (SEKm)



MESSAGE FROM THE CHAIRMAN

# BioGaia's strong research core crucial for long-term profitability

The probiotics market is changing fast. The current pandemic has led to an increased focus on health and a desire to purchase goods online, thereby dramatically accelerating the trend. In parallel, consumers have become more aware and are demanding products that are proven to be safe, effective and of high quality. BioGaia's strong research roots, combined with our global presence and strategic investments to be close to consumers, offer significant potential for the brand.

*“Research is in our DNA and is something we will never sacrifice.”*

### **BioGaia becomes even more consumer-oriented**

The digitalisation trend, which was given an enormous boost in 2020 due to the Covid-19 pandemic, continued at the same pace in 2021. We took a number of important steps on our strategic journey to move closer to consumers and noted a highly positive trend, particularly in the USA, China, Vietnam and Indonesia, where we use an omni-channel strategy and e-commerce dominates the market. We are yet to fully recover in Europe, where digital developments are progressing slightly slower and sales are primarily through pharmacies.

During the year, we continued to build the organisation to complement our already strong position in business-to-business with a strong presence also in business-to-consumer. Our goal is to meet consumers on platforms that they use in all of our markets and to continue to invest in research and development in order to solve health problems for people all over the world. The right skills and change leadership are crucial in this transition. Several central new functions are now in place and work is continuing to integrate these into the existing organisation.

### **Unique strengths compared with our competitors**

In the fierce competitive environment, with many large and active players in the market, BioGaia possesses unique strengths lacking in several of our competitors.

We conduct our own research and development and use clinical studies to show that the products we make are really effective. Research is in our DNA and is something we will never sacrifice. Our research is indication-directed. This means we start with a condition such as colic, constipation and osteopenia and conduct pre-clinical and clinical studies that focus on this particular condition. Few other companies use this approach.

During the year, BioGaia Pharma received formal approval from competent authorities to proceed with both of its planned clinical studies. It is fantastic that we could successfully start two clinical trials of a potential pharmaceutical despite limited resources and are now progressing to the next phase in drug development.

We are also constantly striving to remain at the forefront in respect of new product formulas. BioGaia was first in the world to launch drops and chewable tablets. We want our products to be convenient for consumers and to work in everyday situations and to always be based on the insights we gain from our consumer surveys.

### **Strong platform for profitable growth**

BioGaia's brand is already global and we have a better spread than all of our competitors, largely thanks to our outstanding distributors who work hard to get doctors, dentists, midwives and nurses to understand and recommend our products to consumers. Our broad spread is an excellent tool in the fierce competition for consumer attention. Our global presence is also a very strong platform that we can leverage on our journey to become even more consumer-oriented. Combined with our clinically tested products that have been proven to be effective, this will provide the conditions needed for long-term growth and profitability in the major shift currently taking place in the market due to digitalisation.



Peter Rothschild,  
Chairman of the Board of BioGaia

## MESSAGE FROM THE CEO

# Continued focus on building the world's most trusted probiotics brand

2021 was a year when the world recovered and adapted to the new situation brought about by the pandemic. We can see strong growth in interest around the world for preventive health and products that strengthen the immune system. BioGaia has an important role to play in this trend. We are continuing to build a trusted brand globally – both in the healthcare sector and directly to consumers.

## Greater presence in key markets

Overall, 2021 was a good year when many important pieces fell into place in our efforts to continue to build BioGaia's brand. I am pleased by the professionalism shown by the organisation in delivering on its commitments. Despite continued sluggish sales in Europe, this was offset by the strong performance in other parts of the world. In Asia, sales increased in part due to our online ventures in China, our sales via dental surgeries and our own e-commerce platform in Japan as well as advantageous demographic trends in Indonesia and Vietnam.

The USA accounted for the most outstanding development, where several successful launches of new products together with our omnichannel strategy yielded another record year. The USA is now BioGaia's largest market and it was a great pleasure to sign an agreement at the end of the year to acquire our American distribution partner Everidis. BioGaia and Everidis have been partners since 2007, where Everidis has leveraged its unique understanding of the USA probiotics market and been highly successful in its omnichannel strategy combined with marketing to the healthcare sector and end consumers. This approach has set a standard for the whole BioGaia group. I am now extremely pleased that we have made this partnership permanent, can contribute resources, strengthen the pace of efforts to reach out directly to consumers, and build BioGaia into a leading brand in the USA.

We are currently present in 110 countries, through distribution partners and our own subsidiaries. We established BioGaia Japan in 2006, with a unique concept targeting dental clinics. At the beginning of the year, Protectis Mum was launched for pregnant women with very good results while we concurrently increased our presence in digital channels.

In Sweden, we took over from the previous distributor of the Adult Health portfolio. BioGaia is now available at the main pharmacy chains and on e-commerce websites, online pharmacies, from Amazon and in our own online store and we have continued to grow in all channels compared with last year.

We have also taken over distribution in Finland, where BioGaia's products are now available at Finnish pharmacies and e-pharmacies under our own brand.

In November, we started our own sales company in the UK. Our products will now be sold via our own online store, from Amazon and at selected pharmacy chains both online and offline.

## New products and uniform brand offering

As a means of achieving our target to meet consumers regardless of where they buy their probiotics, we must invest even more in marketing directly to consumers and we intensified our efforts to add more consumer-oriented communication during the year. We have strengthened the management team with a new function, BioGaia Digital, which is similar to a digital incubator. BioGaia





Digital works closely together with marketing and sales to support the organisation and our partners with guidelines, tools and content to ensure a uniform brand offering.

At the same time as we are investing in both physical and digital sales channels, we are also striving to develop new products together with our amazing distribution partners. Consumers are increasingly aware and want to know what the products contain, and quality and safety are crucial elements. In this respect, BioGaia has a unique strength and competitive advantage since research and clinical studies form the foundation of our offering. Our origins are in developing clinically tested probiotics of highest quality for children and we are now evolving to focus on great products for consumers throughout their life cycles. We want to improve global health, which is also one the UN Sustainable Development Goals. It is very gratifying that our research company has made tremendous progress during the year. BioGaia Pharma has received approval for two clinical studies and MetaboGen is focusing on developing next-generation probiotics.

**Stepping up sustainability work**

We have continued to work hard with sustainability and have taken several steps towards the goal of integrating it in all parts of the business. One highly positive effect of our strategy to increase our direct presence in markets has been that we now have greater influence over our environmental impact. We have stepped up efforts to reduce emissions from our packaging and to phase out

palm oil, introduced a whistleblower system, held Group-wide anti-corruption training programmes, implemented a Code of Conduct and increased diversity in both management and on the Board. In addition, we continued to pursue our strong and important community engagement by supporting various organisations in health-promoting activities and through the Prevent Antibiotic Resistance (PAR) foundation. As a result of our hard work, in November we welcomed the fact that MSCI raised BioGaia’s ESG rating from BBB to A, an important endorsement for us and our shareholders.

There is clear and strong growth in the health trend and in preventive healthcare. People are increasingly interested in proactively improving their health, and probiotics can help to provide a balanced intestinal flora and an effective immune system. Given BioGaia’s passion, inherent potential, strategy and cooperation, I am very optimistic about the future. I would like to take this opportunity to thank all of the exceptional and dedicated employees at BioGaia, our customers and other partners for a marvellous job this year. Together, we have the necessary prerequisites to achieve our vision to become the most trusted probiotics brand.

Isabelle Ducellier,  
CEO BioGaia

## BIOGAIA'S SUBSIDIARIES

# MetaboGen

**MetaboGen is a wholly owned subsidiary that conducts research and product development focusing on the microbiome and its potential to become the next generation of probiotic products.**

During 2021, MetaboGen has achieved several important milestones in our development projects. In addition, we have continued to create the right conditions for our own product development, with new premises, collaborations and new employees.

MetaboGen has developed a unique production technology that helps oxygen-sensitive bacteria survive in a product. Such bacteria exist in healthy intestinal flora, but are lacking when the balance of the flora is disrupted. They therefore have great potential as new probiotic products. In 2021, MetaboGen's unique technology received patent approval in most countries.

After a long wait due to the pandemic, we could finally begin META003 in August 2021, a clinical study in which we are studying the effect of our first product on individuals with an elevated risk of developing diabetes. The study, which is taking place at the Sahlgrenska University Hospital in Gothenburg, is fully engaged in enrolling participants and is expected to continue throughout 2022.

In 2021, we concluded an exploratory study of 100 pregnant women with Intrahepatic Cholestasis of Pregnancy (ICP), in partnership with Ferring Pharmaceuticals. The study was carried out at Kvinnokliniken in Lund and Södersjukhuset in Stockholm. Ferring ultimately chose not to continue with the project, though the results of the study were interesting and we now have an opportunity to find other licensees, or alternatively develop a product ourselves.

Over the past year, we also concluded the first phase of our project in melanoma indications, where the microbiome appears to influence the outcome in connection with immunotherapy. We can see a potential for our strains in the field and are currently investigating the prospects for clinical studies and continued development.

Over the past year, MetaboGen has expanded its organisation with new employees and continued work with product optimisation and moved to new, larger premises with specialised laboratories. Today, we have very good capacity to manage the entire development chain, from the identification of new bacteria strains, through safety assessment and product development to the design and implementation of clinical studies. We are also continuing to develop our fermentation capacity on a small scale and currently manufacture, together with the fellow subsidiary BioGaia Production in Eslöv, products for clinical studies, in oxygen-free conditions.



*"I look forward to yet another exciting year with MetaboGen, where we take decisive steps forward in 2022 towards the launch of our first product."*

Sara Malcus, Managing Director MetaboGen

## BIOGAIA'S SUBSIDIARIES

## BioGaia Production

**BioGaia Production AB is a wholly owned subsidiary of BioGaia AB that manufactures and packages BioGaia's drops in glass bottles and plastic tubes, tablets/capsules in bottles, minipacks and product samples. BioGaia Production AB has a Good Manufacturing Practice (GMP) certificate from the Swedish Medical Products Agency.**

BioGaia Production AB is a critical facility in BioGaia's operations and, thanks to strong and coordinated efforts from all employees, we successfully maintained production levels without any delays to customers.

In 2021, we continued our ongoing efforts to streamline operations and experienced strong growth and increased sales without the need to employ more staff. Our operations are particularly vulnerable as they require people to be on-site or production would cease. It requires everyone to roll up their sleeves and help out when unforeseen events occurred. This has been our everyday life for the past two years and the whole organisation has acted in this way.

During the year, we received another GMP certificate, drug licensing authorisation to produce and package study products that are to be sent to the two clinical studies beginning in 2022. We also began constructing production premises for a pilot plant that will consist of a 100-litre fermentation facility (the expansion is progressing as planned and the municipality is expected to receive approval for the new development plan during the first quarter of 2022).

The year has been full of various difficulties due to the pandemic, relating to everything from the delivery of material and raw materials to having healthy personnel on site. I am very proud of all of the loyal, diligent and helpful employees who always do their utmost and support and help each other across all boundaries. Without them, we would never have seen the outstanding performance and growth we are experiencing today. We are ready to face the challenges that 2022 can bring.



*"The year has been full of various challenges due to the pandemic. We successfully maintained production levels and deliveries according to plan without any delays to customers."*

Peter Persson, Managing Director BioGaia Production

BIOGAIA'S SUBSIDIARIES

# BioGaia Pharma

**BioGaia Pharma applies extensive experience in probiotics research and development in the development of new biotherapeutic product platforms. BioGaia Pharma selects and develops pharmaceutical candidates based on supporting pre-clinical and clinical research.**

In 2021, BioGaia Pharma took several steps towards building support for its prioritised programmes, which aim to supply effective pharmaceuticals based on live bacteria where a medical need exists and where the current standard of care is not optimal.

2021 was mainly marked by preparations to start clinical studies for the two pharmaceutical candidates in our two prioritised programmes. During the summer, we received formal approval from competent authorities in France and Sweden to move to the next phase. Before the end of 2021, the study product was filled and packaged (by our product partner BioGaia Production) and is now available for all of the six centres involved in the studies. Enrollment of patients also began at the end of 2021.

The first programme, BGP014, concerns Ulcerous Colic (UC). Ulcerous Colic is a debilitating condition characterised by chronic inflammation of the intestinal tract. The first stage of this programme is to study safety, tolerance and preliminary efficacy of BGP014 in the approved Phase I trial at several centres on UC patients with mild to moderate symptoms. The trial is taking place in Sweden.

The second programme, BGP345A, aims to treat constipation in patients receiving opioids to relieve pain. The study is a Phase II trial at several centres to assess the safety and preliminary effects. The study is taking place in France.

Looking ahead, we are also preparing for the next stage of enrolling patients and completing the clinical trials and look forward to the next and future phases.



*“We are delighted this year to have reached our ambitious goal to start clinical trials in both of our development programmes.”*

Nigel Titford, Managing Director BioGaia Pharma

## BIOGAIA'S SUBSIDIARIES

## BioGaia Invest

Since 2021, BioGaia Invest is a new wholly owned subsidiary of BioGaia AB that focuses on identifying and investing in small companies concentrating on breakthrough technology, services and products that can promote BioGaia's growth.

BioGaia AB established BioGaia Invest in March 2021 to drive strong growth and remain at the forefront of research and innovation. During its first year of operation, the BioGaia Invest invested in Boneprox and Skinome, which are experts in osteopenia and skincare products that strengthen the skin's natural microbiome, respectively.

With the investments, we can create new communication and information channels that will help BioGaia to leverage new technology and innovations.

Boneprox is a company specialising in artificial intelligence in dentistry, with a focus on linking dentistry with healthcare. Boneprox patented technology can be

used to detect osteopenia using ordinary dental x-rays. Osteopenia is a disease characterized by low bone density, which leads to a fragile skeleton. Early diagnosis is crucial to prevent the disease from becoming a great burden to the patient and the healthcare system. In conjunction with the investment, Boneprox and BioGaia Japan will cooperate to detect patients at risk of osteopenia, while in parallel BioGaia's bone health product, BioGaia Osfortis, will be offered to individuals with low bone density.

The second investment was in Skinome, a company that works with "microbiome-friendly" skincare. Skinome's products are developed to strengthen the skin's natural microbiome. BioGaia and Skinome will collaborate in the development of microbiome-friendly probiotic skincare products, both for Skinome and for roll out in BioGaia's international network.



*"We look forward to new opportunities in 2022 and to the ongoing collaboration with Boneprox and Skinome, which we are convinced will lead to increased growth for BioGaia."*

Sebastian Schröder, Managing Director BioGaia Invest

BIOGAIA'S PRODUCTS

# Product portfolio for the health of the whole family

BioGaia's products are clinically tested, high-quality probiotics sold by pharmacies and via online platforms worldwide. The product portfolio aims to promote health for the whole family, but with a particular focus on mother and child health. 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.

The Paediatrics segment currently accounts for nearly 80% of BioGaia's total sales. The vision for the product portfolio in mother and child is to launch products specifically for mother's health and to create a broader

portfolio in child health using new probiotic strains that enable us to target new indications. The portfolio has evolved from containing more broadly based products to more specific products.



**Free from**

More and more consumers are demanding products free from allergens. BioGaia complies with EU requirements and offers Protectis drops and tablets (with and without vitamin D) and capsules free from gluten, lactose and milk protein. BioGaia Protectis capsules are vegan.



## Product launches in 2021

### BioGaia Prodentis Kids

Even if most parents do their best to ensure that children brush their teeth regularly, there is still a risk that children develop caries. With varying genetic susceptibility and diet, everyone has different degrees of resistance to the pathogenic bacteria that are the root cause of caries. In 2021, BioGaia launched Prodentis Kids, which can help to maintain a healthy balance in the mouth, and reduce risk factors in the development of caries and inflammation of the gums.

The product contains a combination of probiotics and Xylitol. Probiotics are not only important for the gut, but also for health and balance in the oral microbiota. Xylitol helps to maintain the mineralisation of teeth. The patented probiotic strains, *L. reuteri* DSM 17938 and *L. reuteri* ATCC PTA 5289, which are present in the product, act synergistically to improve oral health. The product can be used as a complement to brushing your teeth every day.

BioGaia Prodentis Kids has been tested in clinical studies and is safe for children to use.

### BioGaia Protectis Immune Boost

Interest in preventive treatment and products that can strengthen the immune system has grown during the pandemic<sup>1)</sup>. In 2021, BioGaia launched the BioGaia Protectis Immune Boost product, which contains a combination of probiotics and vitamin D and has demonstrated clinically-proven effect in a number of studies. BioGaia Protectis Immune Boost is a series of products suitable for the entire family.

Since up to 80% of the immune system is present in the gut, a healthy microbiota is important for a well-functioning immune system. BioGaia's probiotic strain *L. reuteri* DSM 17938 has immunomodulating effects. It can prevent pathogenic bacteria from multiplying in the intestines. Combined with the immunosupportive vitamin D, the product promotes an improvement in general health.

BioGaia Protectis Immune Boost is available as oil drops, chewable tablets and capsules with different levels of vitamin D suitable for all ages.

### BioGaia Pharax

The common cold and sore throat are the most common infections in the upper respiratory tract in children of preschool age, and are a significant reason for visiting a paediatrician and for absence from school and work. Pharax is a new product from BioGaia that aims to strengthen the oral immune system. The product has been found to reduce the duration and severity of upper respiratory tract infections in children.

BioGaia created Pharax to offer a probiotic complement to normal analgesics and as an alternative to antibiotics, which have no effect on virus infections. Given that Pharax is a natural and non-invasive product, parents can give Pharax to their children without the worry of adverse side effects.

Pharax probiotic drops are safe to use for children, and are free from milk protein, gluten and lactose. They have no side effects, and only supply healthy and positive bacteria with antiviral properties. Five drops given twice a day (morning and evening) for ten days have been shown in studies to reduce the duration and severity of a cold. Suitable for children from six months up to the age of five.

**70% of colds are caused by viruses.** The common cold is the most common disease among children up to the age of five and the main reason for visiting a paediatrician. A child of preschool age has, for example, on average six to eight colds per year, and the spread of infection is greatest in families with children that attend preschools. Most symptoms are mild; runny and blocked nose, sneezing, slight fever, sore throat and cough.

**Antibiotics are only effective in diseases** caused by bacteria and most common colds are caused by viruses, which leave parents with few alternatives apart from analgesics to offer some relief to their children.

1) FMCG Gurus 2021

## MARKET TRENDS

# Trends in society

During 2021 one trend in particular dominated the world and has escalated during the Covid-19 pandemic: preventive health care with a focus on strengthening the immune system. The pandemic has placed pressure on the healthcare system and increased incentives to prevent disease rather than treating disease when it has broken out as it may then be too late to avoid negative consequences.

## Increased illness and growing health interest

Insights gained from a market survey completed in May 2021 indicate that consumers have become increasingly concerned about their basic health, such as vulnerability to diseases and ability to recover from sickness. The prioritisation of, and interest in, health with a focus on the immune system has increased around the world. 64% of the global consumers in the survey stated that they have taken action to improve their health and immune system over the past year (2020)<sup>1</sup>. 70% of the polled have taken active measures to strengthen their health and immune system, compared with 53% who answered the same question one year earlier.

The trend whereby a growing number of consumers want to reduce the risk of falling sick and retain good health confirms a change in consumer behaviour and that BioGaia is on the right path by adding consumer communication in channels complementary to the healthcare system. Previously, BioGaia mainly came into contact with consumers first when they sought medical care and needed treatment. As a large consumer group is thinking more about preventing disease and maintaining good health, it is important and relevant for BioGaia to catch the attention of consumers at an earlier stage, on Google, via PR articles, advertising on health website or via relevant influencers.

In the same survey and when answering questions about the health areas they hope to improve in the

coming year, gut health and the immune system were the most popular areas and are areas in which BioGaia offers health-promoting products.

## Changes to consumer purchasing behaviour

Digitalisation and the transition to online purchasing, which has been a clear trend for many years, have accelerated as a result of the pandemic. The lockdown of society and restrictions on physical contact have even convinced parts of the population that were previously reluctant to use technology to choose digital alternatives.

With the continued restrictions in society in 2021, the change in consumer purchasing behaviour, which was identified during the first year of the pandemic, has continued<sup>2</sup>. E-commerce has grown and a broader target group is now opting to search for information and shop online. Food and health products are goods that have noted a clear upturn in e-commerce<sup>3</sup>. In line with its omnichannel strategy, BioGaia has intensified work to add communication directly to consumers in digital channels and make its products available via e-commerce.

## Lifestyle and preventive healthcare

The world's population is growing and ageing, and as a result there is increasing interest in health. The western

1) FMCG Gurus 2021

2) E-barometer; Statista 2022 Global number of digital buyers 2014-2021

3) McKinsey & Company Covid-19 US Consumer Pulse Survey 6/15-6/21/2020; E-barometer





lifestyle has spread across the world in recent decades, as have the resulting lifestyle diseases. The physical and mental health of a growing number of people are being impacted by stress, sedentarism and poor diet. Concurrently, a rising number of consumers are taking greater responsibility for their health by seeking information about healthy diets and preventive healthcare. The interest in health products and food supplements is therefore expected to continue to rise sharply. Interest has grown in recent years in the importance of intestinal flora for our health and it is increasingly clear that the intestinal flora changes as we age.

Trends in the wider world provide both challenges and opportunities for BioGaia and our ability to create value for stakeholders through our research and our products.

### **Unrelenting growth in antibiotic resistance**

The focus on the pandemic has overshadowed another pending global disaster, galloping antibiotic resistance. According to field reports and surveys from the WHO, there is a risk for further spread of antibiotic resistance following an increase in the incorrect over-use of antibiotics due to the pandemic.

With their immuno-strengthening effects, probiotics may have an important role to play in the fight against antibiotic resistance. A study published in the European Journal of Public Health shows, for example, a link

between intake of BioGaia's probiotic *L. reuteri* DSM 17938 and a reduced need for antibiotics in children.

The Prevent Antibiotic Resistance (PAR) foundation, which BioGaia started in 2017, makes a financial contribution to research and information on measures to reduce the need for antibiotics. In 2021, funds were distributed to projects focusing on preventive measures among elderly individuals.

### **Increased focus on sustainability**

Few people can have missed the COP26 climate summit and the major humanitarian crisis caused by the pandemic worldwide. Consumers, and also other stakeholders, have become increasingly aware and sustainability is more frequently an important demand imposed in connection with purchasing or collaboration. Issues related to responsibility, environmental impact, business ethics and control are more important from a business and risk perspective. Customers want sustainable products and services while suppliers want to work with innovative, long-term and stable customers. Acting responsibly is also more highly valued by the employees of today and tomorrow.

In 2021, BioGaia took additional steps in the right direction to ensure good business ethics, improve its environmental impact and offer a workplace that motivates and creates well-being. Read more on page 36.

VALUE CREATION

# 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.

## Consumers

BioGaia offers consumers probiotic products that contribute to improved health.

## Employees

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

## Researchers

BioGaia contributes to increased knowledge of probiotics.

## Distributors

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

## Suppliers

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

## Shareholders

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

Improved health and lower cost to society for ill health.



**167**

employees

**37**

new products launched during the year

**13%**

of net sales to research and development

**8%**

average growth in past 5 years

SEK **56.4** m  
in tax

**236**

published articles (Dec 2021)

**32%**

operating margin

SEK **3.6** m  
in community engagement

**20,000**

individuals have participated in clinical studies (Dec 2021)

**100 %**

of tablet product range available as palm oil-free variants

VALUE CHAIN

# BioGaia's value chain



## Research

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.

## Product development

BioGaia's product development works to analyse and identify new product formulas and create new delivery formats and packaging solutions.

## Raw material use

Raw materials for products, material for packaging and bacteria cultures come from external suppliers.



**Production  
and packaging**

Production and product packing is handled both by external suppliers and BioGaia AB's subsidiary BioGaia Production. In the supply chain, BioGaia takes care of logistics as well as quality assurance and control of products and production.

**Distribution**

The finished products are collected from the production unit by BioGaia's partners which legalise, market and distribute them in the different markets.

**Sales**

BioGaia supports its distribution partners and own subsidiaries with sales and marketing activities in line with BioGaia's global brand strategy and also in regulatory issues.

## OMNICHANNEL STRATEGY

# Omnichannel strategy the way forward

BioGaia has steadily complemented its marketing model with more consumer-oriented communication. In 2021, competencies within digitalisation and consumer marketing were strengthened in order to support the organisation with tools for a strong, clear and uniform brand offering in all channels used by consumers.

Over the past 32 years, BioGaia has built a top-class medical marketing model. By focusing on solid research, BioGaia shows doctors that the products are effective and doctors therefore then recommend the products to their patients. This still forms the basis of marketing and will continue to do so, but consumers' buying behaviour and customer journey have changed in pace with digitalisation and new social channels. In 2020, the pandemic led to a rapid acceleration in e-commerce by 40%, an increase that continued at the same rate in 2021.

"If we are to remain relevant and raise awareness of probiotics in an increasingly competitive market, we must be available where consumers are, understand their needs and talk their language. We want to be part of the entire consumer lifecycle. We are already very good at medical marketing and have added expertise during the year in marketing directly to consumers," says Linda Hägglund, Vice President Marketing.

The markets in which BioGaia operates are at different levels when it comes to digitalisation. There is also some variation depending on whether BioGaia is present itself in the country or distributes the products through partners. The first stage in building a strong global brand is to draw up new visual guidelines, to update the brand platform and to create tool kits that BioGaia's partners and own subsidiaries can use in marketing to consumers.

Ultimately, the aim is to be relevant for consumers regardless of which channel or stage in the customer journey. This expansion in marketing requires more ability and capacity in several areas and the organisation was strengthened during the year with a new function, BioGaia Digital, led by Sebastian Heimfors. BioGaia Digital is similar to a digital incubator and works closely together with marketing and sales to build a strong, clear and uniform brand offering in all digital channels.

"The entire retail landscape is in the midst of a transformation to follow a customer journey that is increasingly non-linear. We must ensure that we put consumers at the centre, create insights through analysis to understand the customer journey and thereby increase the relevance of our message. We are now increasing the capacity of our organisation and adding expertise and new tools together with marketing and sales," says Sebastian Heimfors.

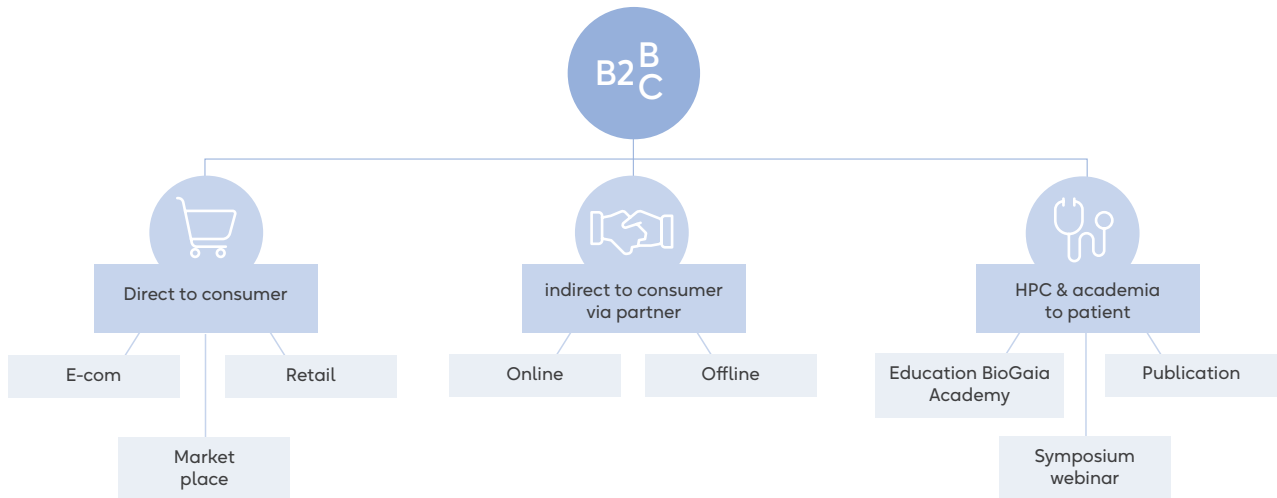
In 2021, the BioGaia brand was established in Finland and the UK and on 31 December its American partner, Everidis, was acquired. In these markets and in Sweden and Japan, BioGaia now has direct responsibility for marketing.



"We are now testing content in various channels in our direct markets where it is easy to follow up and assess the response we receive. We want to support our partners and direct markets as part of the ongoing transformation and in this way we can develop much stronger tool boxes that can be adapted and used in their markets. For

example, this could concern banners or short films to publish on YouTube or Instagram. We are building a strong, uniform BioGaia by supporting our partners with relevant marketing material for use in all platforms used by consumers," says Linda Hägglund.

Same message in different ways



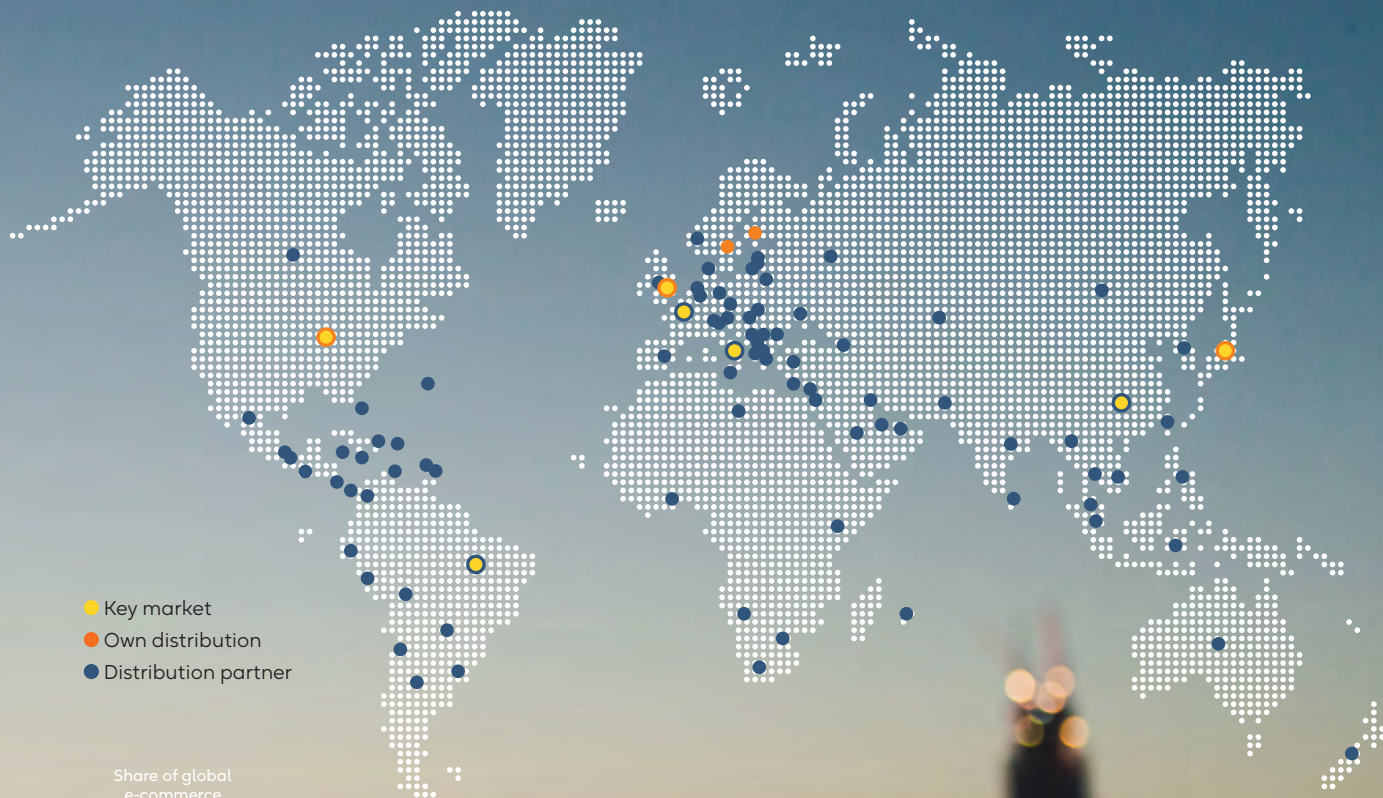
BIOGAIA'S MARKETS

# BioGaia increases its presence in key markets

Over 32 years, BioGaia has successfully built a global presence in 110 countries through long-term relationships and collaborations with distribution partners. BioGaia's brand now occupies a strong position in the healthcare sector in these markets. A number of key markets have been identified: The USA, Japan, China, Brazil, France, Italy and the UK. During the year, BioGaia increased its presence in some markets to align with its omnichannel strategy to be relevant also to end consumers. Important steps were taken during the year to become even more accessible in highly attractive probiotics markets by establishing own companies and taking control of distribution in Finland and the UK, and by acquiring the American distribution partner Everidis.







Share of global e-commerce

18%

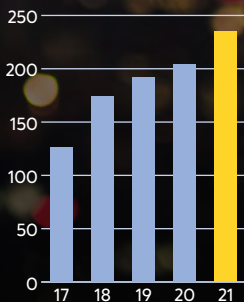
### Sales by geographical market

%

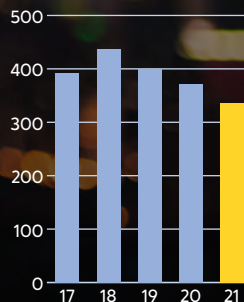


Americas 30%  
EMEA 43%  
Asia Pacific 27%

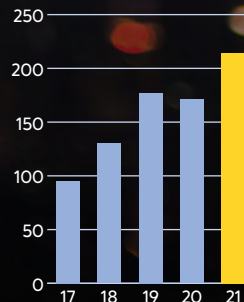
Americas, SEKm



EMEA, SEKm



Asia Pacific, SEKm



## USA – BioGaia acquires its partner Everidis and strengthens position in the American market

2021 was another record year for BioGaia in the USA with a number of successful product launches. At the end of the year, BioGaia acquired its American partner of 13 years, Everidis, as a step to increase the pace of its initiative to directly reach consumers while continuing to market to the healthcare sector.

USA is a key market for BioGaia, where we have had a partnership since 2007 with Everidis, our exclusive distributor of products under BioGaia’s brand in the USA. Everidis has a well established omnichannel strategy and focuses on e-commerce rather than traditional pharmacy sales and marketing to consumers is almost exclusively digital. Doctors, dentists and other healthcare professionals are targeted by medical marketing. The omnichannel strategy has been highly successful and in keeping with the general digitalisation trend, which has now made the USA BioGaia’s largest market. Following the acquisition and support from BioGaia, Everidis will have more resources to further increase its pace, reach out directly to consumers and work with the healthcare sector.

With a customer value of USD 2 billion, the USA is the world’s largest probiotics market with excellent potential for continued growth. BioGaia’s close collaboration with Everidis in product development and building new product categories led to several successful product launches in 2021. Immune Boost was launched during the year, a range comprising drops for small children, tablets for children and capsules for adults. BioGaia has also noted growing interest for its dental tablets and launched Prodentis Kids tablets and Prodentis Baby Drops. All of the products were very warmly received by the market.

» *BioGaia and Everidis have a tremendous collaboration and during the year we continued to build our brand, move closer to consumers and increase engagement through relevant content in all channels with excellent results.* »  
 Joakim Annwall,  
 Regional Director BioGaia  
 Biologics INC in North America



» *The idea of making the partnership permanent is brilliant, and we couldn’t be more excited to become part of the BioGaia family. Everidis’ talented team is building BioGaia into a powerful and trusted brand in the United States. With BioGaia, we will have access to resources and capabilities to help catapult growth and achieve the goal of becoming the leader of the science-driven probiotic category.* »

*Jennifer Cherry, CEO of Everidis.*

## Japan – transition to digital channels boosted sales

**Despite a slightly weak start to the year due to restrictions as a result of the pandemic, the transition to digital channels and e-commerce led to an increase in sales.**

Japan is a very important market for BioGaia, which established its own subsidiary in the country in 2006. BioGaia Japan primarily targets dental clinics and has drawn up a unique concept that not only focuses on oral health products but also includes all of BioGaia's products. Dentists are trained by BioGaia and include BioGaia's products in their treatment of patients. From the start, the products were marketed under the BioGaia brand directly to dental surgeries and thanks to the products' excellent clinical results, BioGaia has succeeded in building a strong brand in the Japanese market.

The pandemic continued to have a serious impact on Japan during the first part of 2021 with lockdowns and restrictions, which made it difficult to reach dental surgeries and conduct sales activities. Despite the difficult conditions, Prodentis MUM for pregnant women was launched early in the year with very good results, and

greater focus was given to digital channels and e-commerce. Sales via e-commerce and BioGaia's own online store reported considerable growth during the year. BioGaia Academy, which develops and conducts external training in the field of probiotics, was converted into a digital format and took place through webinars.

*» Japan is mainly an offline market where we are gradually growing our digital presence with excellent results and maintaining trust among doctors and dentists. Following this turbulent year, I am convinced that the omnichannel strategy is the right way forward. »*

*Keitaro Nomura,  
Managing Director  
BioGaia Japan*



## China – stable sales growth throughout the year

**In 2021, BioGaia continued to strengthen its digital presence and its shift closer to consumers. The Paediatrics segment demonstrated stable sales growth throughout the year.**

China is one of BioGaia's most important growth markets in Asia and there is significant awareness among Chinese consumers about probiotics and their health benefits. Probiotics are primarily sold through e-commerce. Sales growth in the Paediatrics segment remained stable throughout the year and the rise in e-commerce sales offset the sales decline in physical pharmacies during the pandemic. Efforts to strengthen the digital presence and

the shift closer to consumers are continuously ongoing and BioGaia enjoys very good cooperation with the local partner Dr. Mums to drive traffic to the website while BioGaia AB provides support through film clips and other digital content in line with the overall brand strategy. Osfortis and Protectis capsules were also added to the online store during the year. BioGaia Academy was held in Chinese in the Paediatrics segment, which helped to further strengthen BioGaia's brand and position among doctors and other healthcare professionals. BioGaia has a unique combination of leading-edge skills and omnichannel strategy, which are central in remaining relevant in a highly competitive market.

*» I am very pleased to see that both China and Japan made good progress even in the chaotic circumstances during the pandemic. China is mainly an online market from which we can learn lessons and use these in other markets. »*

*Jonas Weimer, Regional Director, APAC*



## France – BioGaia retains leading position in drops and focuses on developing Adult Health portfolio

In 2021, BioGaia invested more in marketing in digital channels and visibility at pharmacies in pace with consumers beginning to use more sources to search for recommendations outside of the healthcare and medical services area. The leading position in drops has been retained while the position in the Adult Health portfolio was developed.

In 2021, years of investments in brand awareness for BioGaia's drops bore fruit and sales of drops continued to grow during the year. The sales trend for Protectis Vitamin D tablets stabilised and grew at a slower rate compared with the first year of the Covid-19 pandemic.

BioGaia's partner in France, PediAct, has an established omnichannel strategy and the main target groups are doctors, midwives, pharmacists, recent parents and whole families. French consumers use a growing number of sources for purchasing probiotics rather than only recommendations from the healthcare system and

pharmacies. During the year, PediAct intensified its activities in digital marketing directly to consumers, focusing on maintaining contacts with pharmacies, training pharmacists and increasing visibility in stores. Presence in digital channels increased in part through the establishment of social media networks with three agents, collaboration started with the e-commerce website ConsoBaby and the WeMoms app (the largest community for mothers in France) and new partnerships with influencers.

The introduction of Gastrus (food supplements for sensitive stomachs) in the French market was sluggish. Focus remains on a positioning in dyspepsia (sensitive stomach) but it has been difficult for pharmacies to set aside time and interest as these are the primary centres for Covid-19 testing and vaccination in France.

» *Developments in France and Italy were challenging in 2021. Because of a well established brand and strong position in prevention of infantile colic and other acute conditions involving sensitive stomachs, sales of drops were positive. Sales of tablets were adversely affected by fewer infections and antibiotic treatments in both Italy and France, where the market has been driven by recommendations and prescriptions from the healthcare system. We can now see a recovery in demand in acute conditions and preventive health for the whole family portfolio as well as a promising activity plan from our partners.* »  
Ana Pérez Sanz, Regional Director, EMEA



## Italy – increased establishment of e-commerce

As a result of the impact of the pandemic, BioGaia in Italy has converted its medical marketing model into a hybrid model and added marketing and sales directly to consumers. Sales via Amazon and other e-commerce platforms are gaining momentum for consumers focused on products that strengthen the immune system, while in parallel sales via pharmacies are recovering.

2021 was another difficult year in the Italian market, but in the third quarter sales began to recover and this positive trend has continued. BioGaia's partners, NOOS and Recordati, have continued to invest in marketing activities and prescriptions are increasing in the network of doctors. The sale team is back out in the field after the lockdowns

and an internal training programme is in progress to update their knowledge. In addition, NOOS and Recordati have also initiated sales via Amazon and through a few local online pharmacies.

Recordati focuses on preventive health and products that strengthen the immune system. This goes hand in hand with its more consumer-oriented strategy where communication concerning vitamin D products containing BioGaia's probiotics is easier thanks to proven efficacy and the fact that fewer children are being born in Italy. Recordati uses a hybrid marketing model that combines visits by sales representatives to doctors and the activation of sales at pharmacies through campaigns, a presence in all digital channels and on Amazon.

## Brazil – expanded collaboration in digital sales

**BioGaia retained its position as number two in the market thanks to a joint effort with its partner Aché Brazil to leverage digital sales channels.**

2021 was another tough year as BioGaia’s partner Aché Brazil could not fully utilise its strong sale team due to continued restrictions and lockdowns. Pharmacies, healthcare companies, doctors and consumers were forced to adapt to the new reality and use digital channels, which was a strong driver in the market during the year.

BioGaia therefore extended its collaborations to take advantage of digital channels to reach out to both doctors and consumers. To maintain sales during the year, many activities took place as virtual events, including webinars, e-detailing through WhatsApp, short films on social media, partnerships with influencers, banners on various websites and campaigns on RAPPI (a delivery service that offers purchasing and delivery to the home

or office). More than 40 short meetings were held with doctors across the country.

Thanks to these joint efforts with Aché Brazil, BioGaia could, despite difficult circumstances, retain its position as number two in the market.

*» I am sure that 2022 will be a much better year as we launch our new powder product, Reuteri minipack, in the first quarter and prepare for the launch of vitamin D drops in early 2023. We have strengthened our collaboration with Aché at all levels and are keen to accelerate our projects and launches to continue to grow our business in Brazil. »*  
*Cristián Contreras, Regional Director, Latin America*



## UK – distribution under our own management

**In November 2021, BioGaia began selling its probiotic products under its own management in the UK market. The decision is part of the company’s overall strategy of increasing sales directly to consumers and sales via its own e-commerce solution. BioGaia is planning to launch its entire product portfolio in the UK market.**

BioGaia’s probiotic products have been available to a limited extent in the UK market for just over eight years, but only through a smaller distributor. In November 2021, the agreement was ended and BioGaia took over sales. In addition to its own e-commerce, BioGaia’s probiotic products will also be sold on Amazon and in selected pharmacy chains both online and offline. BioGaia will eventually also start medical marketing to doctors and other healthcare professionals.

The UK is a very attractive market with many consumers who have excellent knowledge of probiotics.

With BioGaia’s clinically tested probiotic products – something that many consumers demand – there is a strong offering for the UK market. With BioGaia’s global omnichannel strategy as a starting point, own distribution in the UK is a natural step.

*» The UK is a medium-size market for probiotic products. However, together with the broader market, which includes food supplements and vitamins, the estimated market value is about GBP 1.5 billion. I am optimistic about our opportunities for increasing sales in the UK, and am looking forward with confidence to developments in the near future. »*  
*Steven Hicks, Managing Director of BioGaia UK*





## Finland – BioGaia under own brand

As of November 2021, BioGaia's products are available at Finnish pharmacies and e-pharmacies. The previous distribution agreement with the Finnish company Verman has ended and the takeover of distribution is an important strategic step for BioGaia.

Finland is one of the markets with the highest per capita use of probiotics in the world. Sales take place through pharmacies, which are often owned privately by pharmacists and long-term and personal relationships are important. However, the Finnish e-commerce market remains relatively undeveloped and only 3% of pharmacies offer e-commerce. BioGaia's products, with the unique patented probiotic strain *L. reuteri* Protectis (DSM 17938), were previously marketed under the market-leading brand Rela but will in the future only be sold under BioGaia's own brand.

BioGaia's Finnish subsidiary is headed by Minna Tähtinen, who has extensive experience of probiotics and marketing of pharmacy products. Minna was previously employed by Verman and marketed Rela products and has also worked with sales and marketing of Gefilus food supplements in Finland.

"Competition is fierce but the major advantage is that the pharmacist always recommends products that are clinically proven and in this respect BioGaia's strong core

in research is a strength. There is a high level of knowledge in Finland about probiotics and the bacteria strain itself and how it works, but brand awareness remains low. We must now teach consumers that Rela is now BioGaia, the same product but under BioGaia's brand," says Minna Tähtinen, Managing Director of BioGaia Oy in Finland.

Brand building in Finland will be achieved by educating pharmacists and increasing awareness via social media and influencers. Channels used by many consumers in Finland to obtain information about how to stay healthy and prevent disease. Work has begun using the Group-wide tool box for digital marketing, which has produced excellent results in a short period of time.

*» I am very pleased with developments from the outset and am optimistic about the future. With our clinically tested probiotic products, I am convinced that BioGaia's position in the Finnish market will remain strong and continue to evolve through our research and development efforts, new indications and new probiotic strains. »*  
 Minna Tähtinen, Managing Director of BioGaia Oy in Finland





## Sweden – Strong platform to continue building BioGaia’s brand

In 2021, BioGaia in Sweden continued to strengthen its collaborations with the major pharmacies and to increase its digital presence, and is now growing in all channels compared to the previous year.

2021 was a good year for BioGaia in Sweden. Taking over the Adult Health portfolio from the former distributor allowed us to focus on an omnichannel strategy, deeper collaboration with the major pharmacy chains and online pharmacies as well as the launch of the entire Adult Health portfolio.

In Sweden, BioGaia is now available at the main pharmacy chains and on e-commerce websites, online pharmacies, Amazon and in our own online store, and we have continued to grow in all channels compared with the preceding year. The aim is to be available where consumers are and during the year major initiatives were launched together with distributors in marketing to consumers.

The initiatives included outdoor advertising, newsletters, a presence in online campaigns and home pages, and shelf campaigns and loyalty club offers in physical pharmacies. During the year, BioGaia also began cooperating with an online health food store.

» In 2021, we laid the foundations for understanding how a direct market works and we can use this knowledge to become an even better partner for our distributors in other countries. We also laid the foundation for continued growth in 2022 by planning to expand and launch the paediatrics portfolio under the BioGaia brand in parallel with our partner Semper and its established portfolio under the Semper brand. »  
*Ingrid Messerer, Sales Manager, Northern Europe*



## BIOGAIA'S RESEARCH

# BioGaia at the forefront of research

For 30 years, BioGaia has been at the forefront of microbiome research and during that period has built up a broad network of partnerships with researchers at universities and hospitals around the world. In 2021, BioGaia added a number of well-executed studies to the list and reached several important milestones in clinical research.

## A global collaboration

BioGaia has an extensive global research network and over the years has initiated partnerships with universities and hospitals, for example:

- Swedish University of Agricultural Sciences in Uppsala
- Karolinska Institute in Stockholm
- Sahlgrenska University Hospital in Gothenburg
- Örebro University
- Texas Children Hospital in the USA
- The university hospitals in Bari and Turin in Italy

BioGaia aims to encourage the researchers its collaborates with to design studies and report results in a way that enables publication in reputable medical journals. The goal is also for all studies to have ethical approval and, regardless of the findings, should be published and public. The purpose is to increase transparency, share research findings and guarantee scientific relevance. BioGaia's research network has published a total of 236 studies in medical journals over the years.

## Research on the world's most studied probiotics

BioGaia's strains of *Limosilactobacillus reuteri* (*L. reuteri*) are some of the world's most studied probiotics, especially when it comes to studies in young children. To date, 246 clinical studies with BioGaia's human strains of *L. reuteri* have been conducted, involving approximately 20,000 individuals of all ages (December 2021).

## Over the years, studies have been carried out in the areas of:

- 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)
- Osteopenia

## Research 2021

When it's possible, preventing rather than treating infectious or non-communicable diseases appears to be a valid strategy. This became even clearer during the Covid-19 pandemic outbreak. In 2021, BioGaia has, among other projects, initiated studies to examine the preventive role of *L. reuteri* DSM 17938 in conjunction with Vitamin D to prevent individuals from developing Covid-19.



BioGaia's research network has published a total of 236 studies in medical journals over the years.

### Main milestones in BioGaia's clinical research in 2021

- A randomised placebo-controlled study on the potential protective effect of probiotics combined with vitamin D on Covid-19 was initiated during 2021.
- A randomised controlled study published in April 2021 in *Beneficial Microbes* which showed that a combination of *L. reuteri* ATCC PTA 5289 and *L. reuteri* DSM 17938 may help reduce fever and sore throat pain in children under five years old with pharyngitis and tonsillitis. This study brings evidence on the importance of probiotics in helping our immune system to fight against common acute respiratory infections.
- A randomised controlled study on subjects with diverticulitis showed a significant reduction of inflammatory markers associated with diverticulitis upon administration of *Limosilactobacillus reuteri* ATCC PTA 4659 compared to placebo.

At the end of 2021, BioGaia had more than 40 ongoing studies in various fields.

BIOGAIA ACADEMY

# New collaborations through BioGaia Academy

Even though the years of the pandemic resulted in some limitations in terms of the design of BioGaia Academy's courses, they have generated value in the form of extended networks, increased knowledge and new insights among participants about probiotics. In 2021, a third round of training began focusing on oral health and dentists.



*Charlotta Grahn,  
Corporate Marketing  
Manager Education  
and Events at BioGaia  
and responsible for  
BioGaia Academy*

## BioGaia Academy

BioGaia Academy is the name of the education umbrella that covers BioGaia's most important and most extensive external training. This major initiative started in 2017 when BioGaia developed training for paediatricians with the main goal 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.

The main aim with BioGaia Academy 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. We also highlight studies and analyses by other groups to broaden the picture and knowledge about probiotics. The content and material used in the training is prepared together with our medical experts. The purpose is also to promote networking and communication among the participants and hence create more ambassadors for probiotics.

Our ambition is to have a limited number of participants per course to optimise learning for each participant. The candidates chosen to take part in our training are selected with the help of our partners, and through BioGaia's own internal contact network.

## Value created by BioGaia Academy

Creating networks of researchers and people who are interested in a specific area contributes to valuable skills. Participants are from a variety of backgrounds and from every country in the world, and this enables us to gain new insights from the various experiences of participants, how products are used and what needs exist. Following the initial pilot course in paediatrics, which started in April 2018, additional training courses have been held.



This included training in child health, training for dentists in oral health and a pilot course specifically for Chinese doctors, also in child health.

29 dentists from 14 countries took part in oral health training between May and November 2021. The training programmes were considered highly successful and, for example, a few of the participants came up with new ideas for clinical studies using probiotics. After the end of the programme, BioGaia held an additional webinar for the group and is planning more in 2022, as well as a face-to-face seminar (if the pandemic situation allows this).

The Expert Program Pediatrics China training programme was prepared together with BioGaia's Chinese partner Chongqing Little Sunflower Health Industry Development Co. Ltd, in response to the need for probiotics training for Chinese doctors. The pilot course with six doctors began at the end of August 2021 and ended in mid-December 2021. BioGaia's Chinese partner wants to start more programmes.

BioGaia's goal has been to have a maximum of 20–30 doctors on each course. Some 35 doctors have graduated from the two courses within paediatrics we have held so far. From the round of training that began in 2018, both BioGaia and involved partners have continued to cooperate with more than 50% of participants who

graduated. The participants' knowledge level improved considerably during the first training programme that BioGaia Academy carried out, which indicates that there is still plenty to do.

### **First-class training in probiotics**

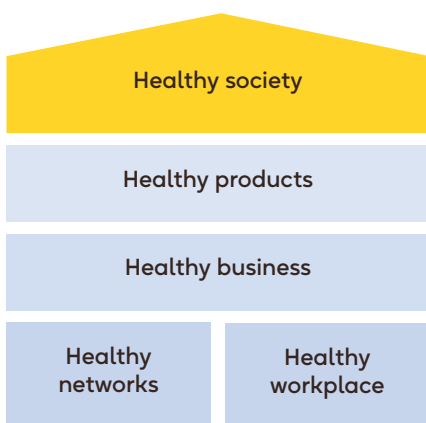
BioGaia wants to offer first-class training in probiotics that is relevant and easily accessible for the target group. The ambition is to continue to develop BioGaia Academy's training platform, both for external and internal target groups, by focusing more on the user's perspective, creating variety with interactive modules and through short video lectures.

In addition to a partner programme in oral health, BioGaia is planning an expert programme for adult health (2023) and general training that focuses on child health.

SUSTAINABILITY

# Responsibility and contributions to sustainable development

Even if BioGaia focuses on the health of individuals through the company's products, the term health has a broader meaning. We want our operations to contribute positively to society as a whole.



BioGaia is striving to reduce the climate and environmental footprint and to ensure responsible behaviour throughout the value chain at the same time as we continue to be involved in societal issues that promote improved health.

### Four focus areas for sustainability

The cornerstone of BioGaia's sustainability work is healthy products based on research and clinical studies. One prerequisite is that these products are developed on the basis of sound operations where BioGaia's networks and employees provide the foundation. 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.

For detailed information, refer to BioGaia's stand-alone 2021 Sustainability Report at [biogaia.com](http://biogaia.com).

## Important sustainability events in 2021



- The life-cycle assessment and tool to calculate environmental impacts from products were updated



- BioGaia took part in a communication campaign on the subject of antibiotic resistance together with the national non-profit association SwedenBIO



- The methods used to calculate the climate impact of operations were updated and further refined



- SEK 3.6 million was donated to community engagement



- The travel policy was updated to reduce both the cost and environmental impact of travel by personnel



- 100% green electricity throughout BioGaia's operations



- A new strategy for sustainable products and packaging was developed



- Decision taken to introduce a Sustainability Committee in 2022



- Anti-corruption training was prepared in a digital format to increase accessibility

# Healthy products are key

By researching, developing and manufacturing products that also consider individual, environmental and social impacts, BioGaia strives to ensure products are healthy in every respect.

## Research and product information

One of BioGaia's strengths is the large number of well-executed independent clinical studies on our products and their health benefits over the past 30 years. With more than 236 published studies, BioGaia's probiotic strains of *Limosilactobacillus reuteri* (*L. reuteri*) are some of the world's most scientifically studied probiotics (see page 32).

Clear, transparent and easily accessible information about the research strengthens consumer confidence and is a cornerstone in BioGaia's marketing. The company applies the International Scientific Association for Probiotics and Prebiotics (ISAPP) criteria for probiotic products, including how these should be labelled.

## Stringent quality demands and constant improvements

Quality is one key aspect throughout the value chain – from ensuring that research on the product's health benefits is reliable and there is a methodical production process, to the product maintaining its high quality after delivery to consumers. BioGaia checks every single batch that is produced against the applicable requirements. The compliance of contract manufacturers with the applicable quality requirements is also monitored 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 in 2021 this was extended to cover more product families. During the year, BioGaia also optimised delivery flows leading to a reduction in transportation.

## Priority to reduce impact from materials and ingredients

The result from the life-cycle assessment conducted in 2020 confirmed that a significant part of the environmental impact from BioGaia's products stems from packaging and ingredients.



More sustainable packaging is one prioritised area and the additional life-cycle assessment conducted in 2021 provided valuable insights into the environmental impact of different packaging. The next stage is to develop packaging solutions that meet the requirements of retaining quality and sustainability for our products.

With respect to ingredients, the life-cycle assessment identified palm oil as the ingredient with the greatest impact on people, the climate and biodiversity. BioGaia is actively working to completely phase out palm oil. At the end of 2021, BioGaia could offer palm oil-free variants of the tablet product range in all markets and the roll-out of palm oil-free variants of drops (oil) is in progress. For the amount of palm oil used today, BioGaia buys credits from RSPO-certified independent smallholders in accordance with RSPO's Book and Claim system.

BioGaia's goal is to have completely phased out products that contain palm oil by 2025. As part of this work, BioGaia has recruited one person during the year to work full time with this phase out.

# A healthy business

Ensuring good business ethics, taking a clear stand on respect for human rights and taking responsibility for the impact of the company's operations are fundamental.

BioGaia's values are an important component in ensuring a healthy business and work initiated in 2020 to develop the company's values and leadership continued during the year (see Healthy workplace).



## Anti-corruption and anti-bribery

BioGaia works with various companies in more than 100 countries with varying degrees of corruption risk. To guide employees, BioGaia has a policy for anti-bribery and anti-corruption that covers the whole Group and training in the area is conducted every year.

During the year, training on anti-corruption and anti-bribery was updated and launched in an online format. The training is interactive and information is mixed with questions and concludes with a mandatory questionnaire enabling users to test their knowledge. Over the next year, the training will be translated into Japanese to offer BioGaia Japan access to the information in their mother tongue.

## Responsibility for the environmental impact of operations

Climate change is one of the most defining issues of our times and during summer 2021 a disturbing report was published by the IPCC that further underlined the need to drastically reduce greenhouse gas emissions.

Annual calculations of the company's greenhouse gas emissions help BioGaia to understand the origins of the most substantial climate impact.

BioGaia compensates for all greenhouse gas emissions. In parallel, work continues to address the company's main emissions sources. These include:

- Ingredients, focusing on the phase-out of palm oil
- Packaging and work to create more sustainable packaging solutions
- Business travel, which has historically accounted for a large share of BioGaia's emissions
- Environmental impact of supply chain

The phase-out of palm oil from the products is a top priority, and is estimated to result in a reduction of more than 150 tonnes of greenhouse gas emissions per year, based on sales figures in 2019. The life-cycle assessments identified several climate-related improvement opportunities in BioGaia's supply chain. Work to translate these insights into improvement initiatives is ongoing. BioGaia has also committed to reduce business travel by 30% with 2019 as the base year, and the travel policy adopted in 2021 is an important tool in these efforts.

# Healthy networks

BioGaia's international networks of researchers, suppliers and distributors is an important part of the business model. A large part of BioGaia's impact on people and the environment is linked to its ability to influence and collaborate with partners in the value chain.

## Suppliers

BioGaia works with external suppliers for production, packaging, culture manufacture and analytical services in Sweden, Denmark, Belgium, Spain and the USA. Sustainability aspects such as quality, safety and environmental impact are followed up through periodic audits but are also addressed as part of 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 to realise improvements.

The Supplier Code of Conduct specifies BioGaia's minimum requirements within such areas as human rights, working conditions, environment, business ethics and anti-corruption. The Code is part of the business contract with suppliers. By the end of 2021, 100 % of BioGaia's suppliers of analytical services, contract manufacturers and culture producers had signed up to the Code of Conduct or presented their own equivalent version.

## Distributors

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. This requirement is regulated in the distribution agreement. BioGaia also has a Code of Conduct for distribution partners and at the end of 2021, 97% (90) had signed this. Work is in progress to improve the process used to assess the sustainability



performance of new distributors. In 2021, risk assessments were conducted of all new distributors in high risk countries using an external tool. No sanctions or elevated risk were detected among distributors examined.

## Researchers

For a long period, BioGaia has created a network of independent researchers with whom the company cooperates. All research, pre-clinical and clinical, which BioGaia is involved in should comply with the highest possible ethical standards. Policies for ethical research are stipulated in both the Code of Conduct and the research contracts. BioGaia always encourages transparency in connection with findings from researchers and the studies must be registered on a public website such as [ClinicalTrials.gov](https://ClinicalTrials.gov) prior to study start.

In 2021, BioGaia updated the company's guidelines for sponsorship of clinical studies in order to standardise the circumstances and scope of such sponsorship. The guidelines aim to clarify the relationship between BioGaia and the research partners that conduct the clinical studies.

## Community engagement

During 2021, SEK 3.6 million (3.7) was invested to support a number of organisations that work with health-promoting activities in areas that are linked to BioGaia's business.

BioGaia has continued 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.

BioGaia compensates for 100% of the business' emissions. Since 2020, this has been through support to Burn Manufacturing, an organisation recommended by [geffektivt.se](https://geffektivt.se) and [givinggreen.earth](https://givinggreen.earth).

# A healthy workplace

BioGaia strives to be an attractive workplace that offers a healthy corporate culture where employees feel safe, included and inspired. We continuously endeavour to evaluate and develop the workplace to retain current employees while also attracting new talent.

## Establish and integrate values

BioGaia's corporate culture follows the motto: "Do good and have fun", which is a central driver for the entire business. To build on our corporate culture, management launched a comprehensive initiative to develop our core values back in 2020. Employees were involved in a value-based employee survey and the work resulted in the core values of innovation, collaboration and passion. In 2021, we worked to establish and integrate the values in our operations to ensure a sustained value-driven corporate culture.

## Corporate culture and well-being

During the autumn of 2021, the &Frankly employee tool was introduced to enable the follow up of softer values. Through simple, anonymous employee surveys we can follow up and continuously improve well-being and the culture in the company.

During the year, internal discussions were also held about the arrangements for distance working that are to be established after Covid-19.

We want to offer a modern, healthy and attractive workplace and have now adopted a hybrid solution where work at the office can be combined with work at another location outside the office.

BioGaia also offers activities in the form of physical training or social events to increase team spirit, engagement and physical and mental well-being. For example,

in early summer of 2021 online yoga classes were held over a six week period for all employees. A competition was also held together with other companies to encourage everyday exercise.

## Leadership and development opportunities

BioGaia shall offer all employees good career development opportunities. A fundamental pillar of an organisation characterised by progress is inspirational leadership. BioGaia has therefore chosen to pay particular attention to leadership as part of the ongoing work with values. The programme for leadership development was completed during the year and the roll-out has begun.

BioGaia has a tool for structured performance reviews that is used by both managers and employees. During the year, the tool was updated and further refined to include the new values.

## Diversity and equal opportunities

BioGaia strives to be an attractive workplace for everyone. The company has zero-tolerance for discrimination and issues of diversity and equal opportunities are high on our agenda.

In the payroll mapping done in 2020, only small salary differences were identified, which are adjusted on an ongoing basis. The on-boarding process for new employees was also developed as well as benefits offered by BioGaia in connection with parental leave.

In 2021, BioGaia was again included on the Allbright's green list for gender equality in the management team. BioGaia was one of 67 listed companies given a thumbs up of the 339 listed companies reviewed.

*"The pandemic has been difficult for our employees. The initiatives we are now launching allow us to look confidently to the future and continue to ensure a healthy and value-driven corporate culture."*

Angelika Kjelldorff, Vice President Human Resources







### Our core values

**Innovation:**

We strive for breakthrough solutions that make a difference in peoples' lives.

**Collaboration:**

Trust, helpfulness and curiosity define our way of working.

**Passion:**

We are committed and put our hearts into everything we do.

# Financial information and notes

2021



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# Administration report

Figures in parentheses 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 2021.

The financial statements were approved for publication by the Board of the Parent Company on 25 March 2022.

## 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 167 employees, of whom 132 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 of drops, gut health tablets, oral rehydration solution (ORS) and oral health products to distributors and through its own subsidiaries. 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** BioGaia launched its own consumer brand at the beginning of 2006. Today, distribution partners 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 2021

**New contracts and launches** BioGaia launches entire Adult Health portfolio in Sweden. On 27 January, BioGaia announced that the products Osfortis and Prodentis had been launched in Sweden and that BioGaia's complete Adult Health portfolio is therefore available in the home market.

BioGaia starts new subsidiary in Finland. On 20 May, the company announced that BioGaia's products will be sold under the BioGaia brand in Finland.

**New distributor in Egypt.** On 8 April, BioGaia announced that the company has signed an agreement with Minapharm Pharmaceuticals for exclusive rights to sell BioGaia Protectis drops in Egypt.

On 20 September, BioGaia announced that it will begin to sell its probiotic products under its own management in the UK market from November 2021.

**Clinical studies** MetaboGen reaches a new crucial milestone in its development of novel probiotic products. On 12 February, BioGaia announced that the subsidiary MetaboGen has received approval from the ethics committee to start a clinical study that will include people with prediabetes. A combination of *L. reuteri* strains reduces symptoms in children with sore throats. On 13 April, BioGaia announced that a randomised, double-blind, placebo-controlled study in children showed that a supplement of two *L. reuteri* strains significantly reduced fever and pain in children with upper respiratory tract infections.

BioGaia Pharma secures approval for two clinical trials for its pharmaceutical candidates. On 10 September, BioGaia Pharma announced that it had received formal approval to proceed with both of its planned clinical trials. The trials represent the next phase in the development of BioGaia Pharma's two pharmaceutical candidates.

## Other key events

**BioGaia revises dividend policy.** On 3 February, BioGaia announced that the Board of BioGaia had decided to revise the dividend policy to pay a shareholder dividend equal to 50% (previously 40%) of profit after tax in the Parent Company.

**Establishment of BioGaia Invest.** On 17 March, BioGaia announced that a separate entity, BioGaia Invest AB, had been established. The focus of BioGaia Invest will be to invest in small companies that support BioGaia's growth. A total of SEK 150 million has been allocated to enable investments of between SEK 5 million and SEK 15 million.

**BioGaia becomes full owner of MetaboGen.** On 2 July, BioGaia announced that the company had become the owner of 100% of the shares in MetaboGen. Previously, BioGaia owned 92% of the shares. The purchase price amounted to SEK 11.4 million.

BioGaia's profit for third quarter exceeds market expectations. On 13 October, BioGaia announced that the company's profit for the third quarter exceeded market expectations.

**BioGaia acquires its US distributor.** On 30 December, BioGaia announced that the company, through its USA subsidiary BioGaia Biologics, had signed an agreement to acquire all shares in Nutraceuticals. Nutraceuticals held all shares in Everidis, which was BioGaia's exclusive distributor of BioGaia branded products in the USA. The shares will be acquired in two steps, of which the first step took place on 31 December 2021 when BioGaia acquired 80% of the shares through an acquisition of shares and a new share issue for a consideration of USD 9.7 million and USD 5 million, respectively. BioGaia will acquire the remaining 20% of the shares during either 2027 or 2028 (determined at BioGaia's sole discretion) for an amount based on the net revenue for the year directly prior to the acquisition of the remaining shares. The purchase price for the remaining shares is estimated currently, based on Everidis' long-term sales plan, to be approximately USD 22 million.

## Key events after the end of the financial year

On 3 February, BioGaia announced that BioGaia's probiotic reduces inflammation in patients with diverticulitis.

There is uncertainty about how and to what extent BioGaia's operations will be affected by the ongoing conflict in Ukraine. BioGaia does not operate in Ukraine or Russia and has no suppliers from these countries. Sales to Ukraine amount to less than 2% of BioGaia's total sales and sales to Russia amount to less than 3% of BioGaia's total sales.

## Financial performance in 2021

Consolidated net sales amounted to SEK 785.1 million (747.1), which is an increase of SEK 38 million (5%) (excluding foreign exchange effects, 12%) compared to last year.

Sales in EMEA amounted to SEK 335.8 million (372.6), a decrease of 10%, which was due to lower sales within Paediatrics and Adult Health. The lower sales within Paediatrics were mainly attributable to Italy and parts of Eastern Europe. The lower sales within Adult Health were mainly attributable to Italy and Finland.

Sales in APAC totalled SEK 214.5 million (170.7), an increase of 26% due to increased sales within Paediatrics and Adult Health. Sales within Adult Health increased primarily in Japan, China and Hong Kong. In the Paediatrics segment, sales increased mainly in Australia, Vietnam and China.

Sales in the Americas totalled SEK 234.9 million (203.7), an increase of 15%, 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.

## Launches in 2021

Distributor	Country	Product	Brand
Allergycare	Switzerland	BioGaia Osfortis	BioGaia
BioGaia Sweden	Sweden	BioGaia Prodentis	BioGaia
Abbott	Costa Rica	BioGaia Protectis drops with vitamin D	BioGaia
Abbott	Panama	BioGaia Protectis drops with vitamin D	BioGaia
Abbott	Paraguay	BioGaia Protectis drops with vitamin D	BioGaia
PediAct	France	BioGaia Protectis capsules	BioGaia
EwoPharma	Czech Republic	BioGaia Protectis tablets D3+	BioGaia
Pharmabest	Israel	BioGaia Gastrus	BioGaia
EthicalNutrition	Argentina	BioGaia Protectis drops with vitamin D	BioGaia
bWellness	Australia	BioGaia Prodentis lozenges	BioGaia
Nestlé	Australia	B. lactis drops	Partner brand
Nestlé	Australia	Protectis drops with vitamin D	BioGaia
Casen Recordati	Spain	BioGaia Protectis tablets with vitamin D	BioGaia
Casen Recordati	Spain	BioGaia Minipack	BioGaia
EwoPharma	Czech Republic	BioGaia Prodentis lozenges	BioGaia
BioGaia	Finland	BioGaia Protectis drops and tablets, BioGaia Gastrus and BioGaia Prodentis	BioGaia
Sued	Dominican Republic	BioGaia Protectis drops with vitamin D	BioGaia
Nestlé	Ecuador	Protectis Minipack	BioGaia
Nestlé	Ecuador	B. lactis drops	Partner brand
Everidis	USA	BioGaia Immun drops, tablets and capsules	BioGaia
Everidis	USA	BioGaia Prodentis Baby drops	BioGaia
Sunflower	China	BioGaia Prodentis Mum	BioGaia
Sunflower	China	BioGaia Prodentis Mini	BioGaia
BioGaia	China	BioGaia Osfortis	BioGaia
Grace International	South Korea	BioGaia Protectis capsules	BioGaia
Grace International	South Korea	BioGaia Protectis tablets with vitamin D	BioGaia
Cube	Greece	BioGaia Prodentis with new flavour (apple)	BioGaia
BioGaia	Finland	BioGaia Gastrus	BioGaia
BioGaia	Finland	BioGaia Prodentis	BioGaia
Phillips Therapeutics	Kenya	BioGaia Immune Boost drops	BioGaia
BioGaia	China	BioGaia Protectis capsules	BioGaia
Abbott	Mexico	BioGaia Protectis tablets with vitamin D	BioGaia
BioGaia	UK	BioGaia Protectis drops, easydroppar with	BioGaia
vitamin D	Thailand	BioGaia Gastrus, BioGaia Protectis tablets	BioGaia
BioGaia	UK	BioGaia Protectis drops, easydroppar with vitamin D	BioGaia
EwoPharma	North Macedonia	BioGaia Protectis drops with vitamin D	BioGaia
EwoPharma	Romania	BioGaia Protectis capsules	BioGaia

## Sales by segment

**Paediatrics segment** Sales in the Paediatrics segment amounted to SEK 603.7 million (583.1), an increase of 4% (excluding foreign exchange effects, 10%). The decline in royalty revenues is due to lower sales to Nestlé.

Sales of BioGaia Protectis drops increased compared to the corresponding period last year. Sales increased in APAC and the Americas, but decreased in EMEA. Sales in APAC increased primarily in Vietnam and Indonesia. In the Americas, sales increased mainly in the USA, which was partly offset by a decrease in sales, particularly in Brazil. In EMEA, sales of drops decreased primarily in Italy and Eastern Europe, while sales increased particularly in Russia and France.

Sales of BioGaia Protectis tablets decreased within Paediatrics compared to the corresponding period last year. The decrease was due to lower sales in all regions, primarily in Eastern Europe, Spain and Brazil.

**Adult Health segment** Sales in the Adult Health segment amounted to SEK 176.9 million (161.2), an increase of 10% (excluding foreign exchange effects, 16%).

Sales of BioGaia Protectis tablets decreased slightly compared to the corresponding period last year. Sales decreased primarily in EMEA while they increased in APAC and the Americas. Sales in EMEA mainly declined in Finland, Belgium and Italy, which was partly offset by higher sales in Hong Kong, Indonesia and the USA.

Sales of BioGaia Gastrus increased slightly compared to the corresponding period last year. Sales decreased in EMEA and the Americas and increased in APAC. Sales increased primarily in Japan and China, but decreased in France and the USA.

Sales of BioGaia Prodentis increased compared to the corresponding period last year. In EMEA, sales increased mainly in Germany and in the Americas primarily in the USA. In APAC, sales increased primarily in China but declined in South Korea.

**Gross margin** The total gross margin amounted to 74% (73%). The gross margin for the Paediatrics segment amounted to 76% (74%). The gross margin for the Adult Health segment amounted to 68% (70%).

**Operating expenses and operating profit** Operating expenses amounted to SEK 329.2 million (318.8), an increase of SEK 10.4 million (3%). Excluding other operating expenses (exchange losses/gains) operating expenses increased by 13%. Operating expenses included costs of evaluation of acquisition candidates of SEK 9.3 million (0.0), restructuring costs (relating to personnel) of SEK 8.9 million (0.0) and the impairment of right-of-use assets linked to a rental contract for premises in Lund of SEK 4.2 million (0.0).

Excluding costs for the evaluation of acquisition candidates, restructuring costs and the impairment of right-of-use assets linked to a rental contract for premises, operating expenses totalled SEK 306.9 million (318.8), a reduction of SEK 11.9 million (-4%).

Selling expenses amounted to SEK 192.4 million (171.6), an increase of 12%, mainly due to increased marketing activities and higher personnel costs linked to restructuring (SEK 8.9 million) and due to a higher number of employees.

R&D expenses amounted to SEK 105.5 million (104.7), an increase of 1%. R&D expenses include costs for the subsidiaries MetaboGen AB and BioGaia Pharma AB of SEK 23.4 million (26.8). The increase in R&D expenses excluding costs for MetaboGen AB and BioGaia Pharma AB were mainly attributable to higher study and personnel costs.

Administrative expenses amounted to SEK 42.5 million (26.1), an increase of 63%. The increase in administrative expenses is mainly attributable to increased costs for evaluation of acquisition candidates (SEK 9.3 million), impairment of right-of-use assets linked to a rental contract for premises in Lund (SEK 4.6 million) and increased personnel costs related to reorganisation.

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK -11.2 million (16.3).

Operating profit amounted to SEK 253.7 million (228.2), an increase of 11%. The operating margin was 32% (31%).

Operating profit excluding other operating expenses (exchange losses/gains) amounted to SEK 242.5 million (244.5), a decrease of 1%. Operating profit excluding costs for the evaluation of acquisition candidates and restructuring costs totalled SEK 276.1 million (228.2), an increase of SEK 47.9 million (21%). The operating margin excluding costs for the evaluation of acquisition candidates, restructuring costs and the impairment of right-of-use assets linked to a rental contract totalled 35% (31%).

Profit after tax and earnings per share Profit after tax amounted to SEK 196.3 million (179.7) an increase of 9%. The effective tax rate was 22% (21%). Earnings per share amounted to SEK 9.72 (10.07). There are no dilutive effects.

**Balance sheet 31 December** Total assets amounted to SEK 2,128.1 million (1,913.3). The increase is mainly explained by the acquisition of Nutraceutics carried out in the fourth quarter of 2021.

Since year-end, trade receivables have increased while inventories and trade payables have decreased. Financial assets have increased due to the acquisition of shares in Boneprox AB and Skinome AB. Goodwill has increased through the acquisition of Nutraceutics Inc.

In accordance with a resolution at the Annual General Meeting, BioGaia has introduced an incentive programme and issued subscription warrants, which resulted in a net increase in equity by SEK 4.5 million.

**Cash flow** Cash flow amounted to SEK 13.1 million (1,256.6). Cash flow includes a dividend of SEK 68.9 million (65.0) as well as a provision to the Foundation to Prevent Antibiotic Resistance of SEK 2.8 million (2.8). Cash flow from operating activities was marginally lower than the corresponding period last year.

Investments in property, plant and equipment amounted to SEK 6.4 million (16.1). Investments in financial assets of SEK 22.2 million relate to acquisition of shares in Boneprox AB and Skinome AB. The acquisition of subsidiaries relate to the settlement of the additional purchase price for MetaboGen AB and the acquisition of Nutraceutics Inc.

**Parent Company** The Parent Company's net sales amounted to SEK 732.0 million (699.3) and profit before tax was SEK 185.9 million (174.7). 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 the young children. To date, 246 clinical studies with BioGaia's human strains of *L. reuteri* have been performed on around 20 000 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.

## 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 anti-

biotic 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** 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. The Group also has assets for surplus values as well as goodwill (SEK 143.9 million) from the acquisition of Nutraceutics in 2021. There is a risk that MetaboGen's research will not achieve the expected results and/or not have the profitability that is expected. There is also a risk that future cash flows relating to Nutraceutics do not follow the business plan. 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 sell partly directly to end-users but primarily 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 at 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 -8.7 million (-9.4). 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 MetaboGen AB

The company conducts research and development projects. Operating profit for the period amounted to SEK -10.0 million (-10.0). On the balance sheet date, assets in the Parent Company relating to MetaboGen were recognised at SEK 100.7 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.

#### Other subsidiaries

During the year, BioGaiia established subsidiaries in Finland, the UK and BioGaiia Invest AB. The American distributor Nutraceuticals Inc. was acquired through the subsidiary BioGaiia Biologics Inc.

## 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** BioGaiia 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 2021, the company had a cash flow surplus of approximately EUR 19.2 million (20.1), a cash flow deficit of JPY 75.6 million (-112.4) and a cash flow surplus of USD 31.8 million (24.2). 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** BioGaiia'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** BioGaiia has good liquidity. The risk of a liquidity shortage is therefore immaterial. Cash flow amounted to SEK 13.1 million (1,256.6). Cash flow includes dividends of SEK -68.9 million (-65.0). Cash and cash equivalents at 31 December 2021 amounted to SEK 1,484.7 million (1,467.9).

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

BioGaiia'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, BioGaiia'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 2021 was again marked by the Covid-19 pandemic and its impact on the world at large and on BioGaiia. In most of the countries in which BioGaiia operates, medical marketing is still the main business model. Due to the Covid-19 situation, our 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, long-term lockdowns in many countries have meant that consumers have had limited opportunities to visit the principal sales channels for our products - physical pharmacies, hospitals and, in Japan, dental surgeries.

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

BioGaiia has a strong financial position but a prolonged pandemic can

even have a negative impact on a stable company such as BioGaiia. 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 BioGaiia's production and at external suppliers or in logistics can result in BioGaiia being unable to deliver products with an ensuing loss of revenue. Depending on how drawn-out this pandemic becomes, there is a risk of continued challenges in 2022.

## Future outlook

BioGaiia'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 BioGaiia 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 BioGaiia brand, successful clinical trials and an expanding distribution network that covers a large share of the key markets, BioGaiia'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 to equal 50% of profit after tax in the Parent Company.

## Employees

The number of employees in the Group at 31 December 2021 was 167 (160).

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

The company has an incentive programme for all employees based partly on the company's sales and profit and partly on qualitative targets.

The maximum bonus is equal to 12% of annual salary. In addition to this programme, BioGaiia has also implemented a subscription warrants programme as resolved by the 2021 Annual General Meeting. The programme involves the issue of a maximum of 365,000 warrants where each warrant shall entitle the holder during the period from 6 July 2024 through 6 November 2024 to subscribe for one new Class B share in BioGaiia for a subscription price per share that amounts to SEK 578.2. The employees were invited to purchase the warrants at an amount of SEK 55.6 which was the market value determined by an external valuation expert. A total of 89,730 warrants were subscribed for in the second quarter, which resulted in an additional equity injection of SEK 5.0 million and a possible dilution of existing shareholders of 0.4%. In the fourth quarter, 4,500 warrants were repurchased. The programme also includes a stay-on bonus extending over a three-year period. See Note 3 for additional information about employees and personnel expenses.

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

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 BioGaiia's business strategy, long-term interests and sustainability** BioGaiia 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 BioGaiia's long-term interests, including its sustainability, require BioGaiia to be able to recruit, motivate and retain competent employees who work to achieve maximum shareholder and customer value. This requires BioGaiia 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, healthcare 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.

Fulfilment of the criteria for payment of variable cash remuneration shall be measured during a period of one year. When the measurement period for fulfilment 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 Annual General Meeting 2020 (see above).

## Corporate governance

BioGaia has published a separate corporate governance report. See pages 75–77.

## 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	1,547,992,830
Profit for the year	146,558,650
Profits available for appropriation	<b>1,694,551,480</b>

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

To be paid as a dividend to the shareholders*	301,331,213
Provision to Foundation to Prevent Antibiotic Resistance	2,900,000
To be carried forward to new account	1,390,320,267
Total	<b>1,694,551,480</b>

\*] The proposed dividend consists of a dividend of SEK 3.63 (3.41) plus an extra dividend of SEK 11.29 (0) per share according to policy.

## Mandatory disclosures for ESEF reporting

Name of the reporting entity	BioGaia AB (publ.)	IAS 151 a
Domicile of entity	Stockholm	IAS 1138 a
Legal form of entity	Public limited company	IAS 1138 a
Country of incorporation	Sweden	IAS 1138 a
Address of entity's registered office	Kungbroplan 3A SE-112 27 Stockholm	IAS 1138 a
Principal place of business	Stockholm	IAS 1138 a
Description of nature of entity's operations and principal activities	The company BioGaia is a health-care company that develops, markets and sells probiotic products with documented health benefits.	IAS 1138 a
Name of parent entity	BioGaia AB (publ.)	IAS 1138 c, IAS 24 13
Name of ultimate parent of group	BioGaia AB (publ.)	IAS 24 13, IAS 113 c

# Five-year summary

Key ratio	2021	2020	2019	2018	2017
Total net sales, SEKm	785.1	747.1	768.3	741.9	615.0
Net sales, Paediatrics segment, SEKm	603.7	583.1	600.1	596.5	492.6
Net sales, Adult Health segment, SEKm	176.9	161.2	167.3	141.7	116.2
Other net sales, SEKm	4.6	2.8	0.9	3.7	6.3
Operating profit, SEKm	253.7	228.2	242.5	277.4	233.0
Profit before tax, SEKm	252.7	227.6	242.3	277.6	232.9
Profit after tax, SEKm	196.3	179.7	187.3	214.2	180.6
Profit after tax including discontinued operations, SEKm	196.3	179.7	187.3	214.2	180.6
Profit after tax attributable to owners of the Parent Company, SEKm	196.3	179.7	187.3	214.2	180.6
Growth, net sales, %	5	-3	4	21	15
Operating margin, %	32	31	32	37	38
Profit margin, %	32	30	32	37	38
Equity/assets ratio, %	88	91	76	77	81
Capital employed, SEKm	1,891.6	1,757.6	518.2	514.8	464.7
Return on capital employed, %	14	20	47	57	53
Return on equity, %	11	16	37	44	41
Average number of employees	161	157	149	130	115

## Data per share

Number of shares at 31 Dec, thousands <sup>1)</sup>	20,196	20,196	17,336	17,336	17,336
Average number of shares, thousands	20,196	17,855	17,474	17,336	17,336
Earnings per share, continuing operations, SEK	9.72	10.07	10.72	12.40	10.42
Earnings per share before dilution, SEK <sup>2) 4)</sup>	9.72	10.07	10.72	12.40	10.42
Earnings per share after dilution, SEK <sup>2) 4)</sup>	9.72	10.07	10.72	12.40	10.42
Equity per share, SEK <sup>4)</sup>	92.96	97.80	29.06	29.13	26.76
Equity per share after dilution, SEK <sup>4)</sup>	92.96	97.80	29.06	29.13	26.76
Share price on balance-sheet date, SEK	518	537	424.5	317.50	326.00
Dividend per share, SEK	14.92 <sup>3)</sup>	3.41	3.75	10.00	9.00

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

<sup>2)</sup> Key ratio defined according to IFRS.

<sup>3)</sup> Dividend proposed but not yet approved.

<sup>4)</sup> A bonus issue element has been taken into account in the calculation of earnings per share before and after dilution, which means that the comparative figure has been recalculated. There are no other dilutive effects.

For definitions of key ratios, see page 60.



**BioGaia**  
Prodentis<sup>®</sup>  
FOR GUMS AND TEETH  
For gums and teeth  
Contains Lactobacillus reuteri Prodentis<sup>®</sup>  
30 lozenges with mint flavour

**BioGaia**  
Protectis minipack  
FOR GUT COMFORT  
Probiotics grounded in evolution  
Driven by science

**BioGaia**  
Protectis ORS  
FOR GUT COMFORT  
AND REHYDRATION  
Probiotic Oral Rehydration Solution

**BioGaia**  
Protectis<sup>™</sup> baby drops  
FOR GUT COMFORT  
Probiotic drops, 5 ml  
with L. reuteri DSM 17938  
Food supplement

**BioGaia**  
Protectis capsules  
IMMUNE ACTIVE  
2,000 IU vitamin D<sub>3</sub>  
40 probiotic capsules  
Probiotic Supplement

**BioGaia**  
Protectis<sup>™</sup> baby drops  
FOR GUT AND IMMUNE SYSTEM  
with vitamin D<sub>3</sub>  
Probiotic drops, 5 ml  
with L. reuteri DSM 17938  
and 10 µg vitamin D<sub>3</sub>  
Food supplement

**BioGaia**  
Prodentis drops  
FOR GUMS AND TEETH  
Probiotic drops, 10 ml  
Food supplement  
Probiotics grounded in evolution  
Driven by science

**BioGaia**  
Mjölkkyrabskapslar  
Protectis kapslar  
Veganska med Lactobacillus reuteri DSM 17938  
Probiotic capsules, 30  
Food supplement

**BioGaia**

**BioGaia**  
Protectis<sup>™</sup> tabs  
FOR GUT COMFORT  
Probiotics grounded in evolution  
Driven by science  
10 probiotic chewable tablets (4.5 g)  
with L. reuteri DSM 17938  
Food supplement with sweeteners  
Strawberry Flavoured

**BioGaia**  
Pharax<sup>™</sup> KIDS  
Probiotic drops  
FOR THROAT AND IMMUNE SYSTEM<sup>\*</sup>  
Probiotic Supplement

**BioGaia**  
Protectis<sup>™</sup> tabs  
FOR GUT COMFORT  
with vitamin D<sub>3</sub>  
10 probiotic chewable tablets (4.5 g)  
with L. reuteri DSM 17938 and 10 µg vitamin D<sub>3</sub>  
Food supplement with sweeteners  
Orange flavour

# Group

## Statement of comprehensive income

Amounts in SEK 000s	Note	2021	2020
Net sales	2	785,110	747,077
Cost of sales	2	-202,161	-200,159
<b>Gross profit</b>	2	<b>582,949</b>	<b>546,918</b>
Selling expenses	4	-192,437	-171,634
Administrative expenses	2, 4	-42,546	-26,128
Research and development expenses	2, 7, 11	-105,467	-104,663
Other operating income	5	11,604	1,084
Other operating expenses	6	-366	-17,427
<b>Operating profit</b>		<b>253,737</b>	<b>228,150</b>
Financial income	8	107	155
Financial expenses	9	-1,132	-722
<b>Net financial items</b>		<b>-1,025</b>	<b>-567</b>
<b>Profit before tax</b>		<b>252,712</b>	<b>227,583</b>
Tax	10	-56,439	-47,853
<b>PROFIT FOR THE YEAR</b>		<b>196,273</b>	<b>179,730</b>
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation differences on translation of foreign operations		1,994	-4,059
<b>Comprehensive income for the year</b>		<b>198,267</b>	<b>175,671</b>
<i>Profit for the year attributable to:</i>			
owners of the Parent Company		196,273	179,730
Non-controlling interests		-	-
		196,273	179,730
<i>Comprehensive income for the period attributable to:</i>			
owners of the Parent Company		198,267	175,671
Non-controlling interests		-	-
		198,267	175,671
<b>Earnings per share</b>			
Earnings per share, SEK*		9.72	10.07
Number of shares, thousands		20,196	20,196
Average number of shares, thousands*		20,196	17,855

\*) A bonus issue element has been taken into account in the calculation of earnings per share before and after dilution, which means that the comparative figure has been recalculated. There are no other dilutive effects.

## Statement of cash flows

Amounts in SEK 000s	Note	2021	2020
<b>Operating activities</b>			
Operating profit		253,737	228,150
<i>Adjustments for non-cash items:</i>			
Depreciation/amortisation and impairment		27,241	20,530
Unrealised gains/losses on forward contracts		2,403	-4,876
Other non-cash items		-2,356	1,167
		281,025	244,971
Interest received		64	157
Interest paid		-1,132	-803
Taxes paid		-55,934	-72,092
<b>Cash flow from operating activities before changes in working capital</b>		<b>224,023</b>	<b>172,233</b>
<i>Cash flow from changes in working capital:</i>			
Inventories		9,822	-2,347
Current receivables		-17,965	47,043
Trade payables		-6,151	19,798
Current interest-free operating liabilities		12,146	-15,471
<b>Cash flow from operating activities</b>		<b>221,875</b>	<b>221,256</b>
<i>Investing activities:</i>			
Purchase of property, plant and equipment	13	-6,379	-16,075
Purchase of financial assets	21	-22,229	-
Acquisitions of subsidiaries	29	-98,359	-
<b>Cash flow from investing activities</b>		<b>-126,967</b>	<b>-16,075</b>
<i>Financing activities:</i>			
Dividend		-68,870	-65,012
Amortisation lease liability		-7,527	-7,632
Amortisation loans	29	-7,174	-
Provision to foundation		-2,800	-2,800
New issue, net		4,525	1,126,840
<b>Cash flow from financing activities</b>		<b>-81,846</b>	<b>1,051,396</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>13,062</b>	<b>1,256,577</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,467,883</b>	<b>213,831</b>
Exchange difference in cash and cash equivalents		3,735	-2,525
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>1,484,680</b>	<b>1,467,883</b>

## Statement of financial position

Amounts in SEK 000s	Note	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>			
<i>Non-current assets:</i>			
Research and development project in progress	11	48,086	50,322
Goodwill	11	149,227	5,300
Right-of-use assets	12	15,080	28,861
Property, plant and equipment	13	138,555	133,904
Financial assets	21	22,229	-
Deferred tax assets	10	2,757	5,279
Deposits		43	39
<b>Total non-current assets</b>		<b>375,977</b>	<b>223,705</b>
<i>Current assets:</i>			
Inventories	16	102,737	72,277
Trade receivables	17, 21	118,588	98,511
Other receivables	19	36,304	41,538
Deferred expenses and accrued income	20	9,768	9,368
Cash and cash equivalents	21	1,484,680	1,467,883
<b>Total current assets</b>		<b>1,752,077</b>	<b>1,689,577</b>
<b>TOTAL ASSETS</b>		<b>2,128,054</b>	<b>1,913,282</b>

## Statement of financial position

Amounts in SEK 000s	Note	31 Dec 2021	31 Dec 2020
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	22	20,196	20,196
Other contributed capital		1,154,008	1,149,483
Reserves		-27	-2,020
Retained earnings		506,915	398,854
Profit for the year attributable to owners of the Parent Company		196,273	179,730
<b>Total equity attributable to owners</b>		<b>1,877,365</b>	<b>1,746,243</b>
Non-controlling interests	14, 18	2	2
<b>Total non-controlling interests</b>		<b>2</b>	<b>2</b>
<b>Total equity</b>		<b>1,877,367</b>	<b>1,746,245</b>
<i>Non-current liabilities:</i>			
Deferred tax liability	10	14,240	11,312
Other liabilities	27	109,493	20,663
<b>Total non-current liabilities</b>		<b>123,733</b>	<b>31,975</b>
<i>Current liabilities:</i>			
Prepayments from customers	21	2,815	11,184
Trade payables	21	42,313	48,046
Current tax liabilities	24	4,479	1,170
Other liabilities	24	20,948	25,939
Accrued expenses and deferred income	25	56,399	48,723
<b>Total current liabilities</b>		<b>126,954</b>	<b>135,062</b>
<b>Total liabilities</b>		<b>250,687</b>	<b>167,037</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,128,054</b>	<b>1,913,282</b>

## 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
<b>Opening balance, 1 January 2020</b>	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				1,130,152		1,130,512
<b>Total transactions with owners</b>	<b>2,860</b>	<b>1,127,652</b>	<b>0</b>	<b>-67,812</b>	<b>0</b>	<b>1,062,700</b>	<b>0</b>	<b>1,062,700</b>
<i>Carried forward</i>				187,347	-187,347			
<b>Profit for 2020</b>					179,730	179,370		179,730
<i>Other comprehensive income</i>								
Translation differences on translation of foreign operations			-4,059			-4,059		-4,059
<b>Comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>-4,059</b>	<b>0</b>	<b>179,730</b>	<b>175,671</b>		<b>175,671</b>
<b>Closing balance, 31 December 2020</b>	<b>20,196</b>	<b>1,149,483</b>	<b>-2,021</b>	<b>398,855</b>	<b>179,730</b>	<b>1,746,243</b>	<b>2</b>	<b>1,746,245</b>
<b>Opening balance, 1 January 2021</b>	<b>20,196</b>	<b>1,149,483</b>	<b>-2,021</b>	<b>398,855</b>	<b>179,730</b>	<b>1,746,243</b>	<b>2</b>	<b>1,746,245</b>
Dividend				-68,870		-68,870		-68,870
Provision to foundation				-2,800		-2,800		-2,800
New issue warrants		4,525				4,525		4,525
<b>Total transactions with owners</b>		<b>4,525</b>	<b>0</b>	<b>-71,670</b>	<b>0</b>	<b>-67,145</b>		<b>-67,145</b>
<i>Carried forward</i>				179,730	-179,730			
<b>Profit for 2021</b>					196,273	196,273		196,273
<i>Other comprehensive income</i>								
Translation differences on translation of foreign operations			1,994			1,994		1,994
<b>Comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>1,994</b>	<b>0</b>	<b>196,273</b>	<b>198,267</b>	<b>0</b>	<b>198,267</b>
<b>Closing balance, 31 December 2021</b>	<b>20,196</b>	<b>1,154,008</b>	<b>-27</b>	<b>506,915</b>	<b>196,273</b>	<b>1,877,365</b>	<b>2</b>	<b>1,877,367</b>

# Parent Company

## Income statement

Amounts in SEK 000s	Note	2021	2020
Net sales	2	732,009	699,349
Cost of sales	2	-256,210	-241,555
<b>Gross profit</b>	2	<b>475,799</b>	457,794
Selling expenses	2	-163,189	-138,162
Administrative expenses	4	-34,630	-24,306
Research and development expenses	2, 7, 11	-85,563	-84,063
Other operating expenses	5	11,506	-16,943
<b>Operating profit</b>		<b>203,923</b>	194,320
<i>Result from financial investments</i>			
Impairment loss on shares in group companies	14	-18,708	-20,756
Interest income and similar profit/loss items	8	688	1,169
<b>Net financial items</b>		<b>-18,020</b>	-19,587
<b>Profit before tax</b>		<b>185,903</b>	174,733
Tax on profit for the year	10	-39,344	-37,061
<b>PROFIT FOR THE YEAR</b>		<b>146,559</b>	137,672

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	2021	2020
<b>Operating activities</b>			
Operating profit		203,923	194,320
<i>Adjustments for non-cash items:</i>			
Depreciation/Amortisation		3,736	3,746
Other non-cash items		1,693	1,881
Interest received		1,053	1,279
Interest paid		-365	-110
Forward exchange contracts		2,403	-4,876
Taxes paid		-46,786	-59,309
<b>Cash flow from operating activities before changes in working capital</b>		<b>165,657</b>	136,931
<i>Cash flow from changes in working capital:</i>			
Inventories		10,907	4,108
Current receivables		-17,861	14,344
Trade payables		-7,838	19,826
Current interest-free operating liabilities		8,920	9,594
<b>Cash flow from operating activities</b>		<b>159,785</b>	184,805
<i>Investing activities:</i>			
Purchase of property, plant and equipment	13	-	-807
Purchase of financial assets	14	-167,920	-
Sale of financial assets	14	22,229	-
Repayment of loans from subsidiaries	15	-	25,000
<b>Cash flow from investing activities</b>		<b>-145,691</b>	24,193
<i>Financing activities:</i>			
Dividend		-68,870	-65,012
Provision to foundation		-2,800	-2,800
Shareholder contribution provided		-31,444	-
New issue warrants		-464	-
New issue, net		-	1,126,840
<b>Cash flow from financing activities</b>		<b>-103,578</b>	1,059,028
<b>CASH FLOW FOR THE YEAR</b>		<b>-89,484</b>	1,268,026
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>			
		1,419,361	153,217
Exchange difference in cash and cash equivalents		3,693	-1,882
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>1,333,570</b>	1,419,361

## Balance sheet

Amounts in SEK 000s	Note	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Capitalised expenses for development		2,236	4,472
<b>Total intangible assets</b>		<b>2,236</b>	<b>4,472</b>
<i>Property, plant and equipment</i>			
Production equipment		4,438	5,685
Equipment and computers		309	561
<b>Total property, plant and equipment</b>		<b>4,747</b>	<b>6,246</b>
<i>Financial assets</i>			
Participations in group companies	14	331,809	154,671
Receivables from group companies	15	10,835	10,835
<b>Total financial assets</b>		<b>342,644</b>	<b>165,506</b>
<b>Total non-current assets</b>		<b>349,627</b>	<b>176,224</b>
<b>Current assets</b>			
Inventories	16	38,247	49,154
<i>Current receivables</i>			
Trade receivables	17, 21	94,631	81,613
Receivables from group companies	18	27,051	24,988
Current tax assets	19	15,700	23,142
Other receivables	19	17,116	13,723
Deferred expenses and accrued income	20	4,780	5,393
<b>Total current receivables</b>		<b>159,278</b>	<b>148,859</b>
Cash and cash equivalents	21	1,333,570	1,419,361
<b>Total current assets</b>		<b>1,531,095</b>	<b>1,617,374</b>
<b>TOTAL ASSETS</b>		<b>1,880,722</b>	<b>1,793,598</b>

## Balance sheet

Amounts in SEK 000s	Note	31 Dec 2021	31 Dec 2020
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital		20,196	20,196
Other restricted equity		1,253	1,253
		<b>21,449</b>	<b>21,449</b>
<i>Non-restricted equity</i>			
Retained earnings		1,547,992	1,477,466
Profit for the year		146,559	137,672
	23	<b>1,694,551</b>	<b>1,615,138</b>
<b>Total equity</b>		<b>1,716,000</b>	<b>1,636,587</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Provisions		3,380	-
<b>Total non-current liabilities</b>		<b>3,380</b>	<b>-</b>
<i>Current liabilities</i>			
Prepayments from customers		180	200
Trade payables		31,202	39,040
Liabilities to group companies	18	75,216	72,564
Other liabilities	24	3,767	2,244
Accrued expenses and deferred income	25	50,977	42,963
<b>Total current liabilities</b>		<b>161,342</b>	<b>157,011</b>
<b>Total liabilities</b>		<b>164,722</b>	<b>157,011</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,880,722</b>	<b>1,793,598</b>

## Statement of changes in equity

Amounts in SEK 000s	Share capital	Other restricted equity	Retained earnings	Profit for the year	Total equity
<b>Opening balance, 1 January 2020</b>	17,336	1,253	254,948	162,678	436,215
Carried forward			162,678	-162,678	0
Dividend			-65,012		-65,012
Provision to foundation			-2,800		-2,800
New issue, net	2,860		1,127,652		1,130,512
Profit for 2020				137,672	137,672
<b>Closing balance, 31 December 2020</b>	<b>20,196</b>	<b>1,253</b>	<b>1,477,466</b>	<b>137,672</b>	<b>137,672</b>
<b>Opening balance, 1 January 2021</b>	20,196	1,253	1,477,466	137,672	1,636,587
Carried forward			137,672	-137,672	0
Dividend			-68,870		-68,870
Provision for foundation			-2,800		-2,800
New issue warrants			4,524		4,524
Profit for 2021				146,559	146,559
<b>Closing balance, 31 December 2021</b>	<b>20,196</b>	<b>1,253</b>	<b>1,547,992</b>	<b>146,559</b>	<b>1,716,000</b>

# Notes to the financial statements and accounting policies

All figures in SEK 000s unless otherwise specified. Figures in parentheses 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 2021

**Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2** The changes proposed in ED/2020/1 Interest Rate Benchmark Reform – Phase 2 (Proposed amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the Board's proposals for classification and measurement and hedge accounting.

Modifications of financial assets, financial liabilities and lease liabilities: The IASB proposes a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

Specific hedge accounting requirements: Under the IASB's proposals, hedge accounting would not be discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk.

Disclosures: In order to allow readers of the financial statements to understand the nature and extent of risks arising from the IBOR reform and how the entity manages those risks, the amendment requires the entity to disclose information about this.

The amendments will be applied in two phases, where the first started to apply on 1 January 2020 and the second on 1 January 2021. The amendments do not have a material impact on BioGaia.

**Amendments to IFRS 4 Insurance Contracts – Exemption from applying IFRS 9** The amendments started to apply on 1 January 2021 and have not had an impact on BioGaia.

**Amendment to IFRS 16 Leases – Extension of Covid-19-Related Rent Concessions** In May 2020, IFRS 16 was amended to provide lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. This amendment was for a limited period of time and was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since the effects of the pandemic are ongoing and significant, the IASB decided to extend the original time period over which the practical expedient is available to include such rent concessions for lease payments which are due on or before 30 June 2022. The amendments are applied to the financial year that starts on 1 April 2021 or later. The company is applying the amendment retroactively. The Amendment started to apply from 1 January 2021 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 1 January 2022, 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 2021. 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 Annual General Meeting 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 previous years the company had forward exchange 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.

#### Segment reporting

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.

#### Revenue recognition

**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.

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 have a low value. Depreciation on the asset and interest expenses on the liability are recognised in profit or loss.

On 31 December 2021, the Group's lease assets amounted to SEK 15.1 million which is recognised in the item right-of-use assets and liabilities amounted to SEK 8.9 million in non-current liabilities and SEK 10.4 million in current liabilities. For the period January–December 2021, an interest expense of SEK 0.7 million, depreciation of SEK 7.5 million and impairment of SEK 4.2 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 incremental borrowing rate. The incremental 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 with 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.
- 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 and provision for the additional purchase price for Nutraceutics.
- 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 contractual asset. 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, contractual 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** The Parent Company recognises untaxed reserves 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. Group contributions are recognised as an increase in shares in subsidiaries. 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.
- **IFRS 9** The Parent Company applies a simplified approach to classification under IFRS 9.

### 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.
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.
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	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.
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

Return on capital employed	2021	2020
Operating profit	253,737	228,150
Financial income	107	155
Profit before net financial items + financial income (A)	253,844	228,306
Total assets	2,128,054	1,913,282
Interest-free liabilities	-236,447	-155,725
Capital employed	1,891,607	1,757,557
Average capital employed (B)	1,824,582	1,137,885
Return on capital employed (A/B)	14%	20%
Return on equity	2021	2020
Profit attributable to owners of the Parent Company (A)	196,273	179,730
Equity attributable to owners of the Parent Company	1,877,365	1,746,243
Average equity attributable to owners of the Parent Company (B)	1,811,804	1,127,058
Return on equity (A/B)	11%	16%

Equity/assets ratio	31 Dec 2021	31 Dec 2020
Equity (A)	1,877,367	1,746,245
Total assets (B)	2,128,054	1,913,282
Equity/assets ratio (A/B)	88%	91%
<b>Operating margin</b>	<b>2021</b>	<b>2020</b>
Operating profit (A)	253,737	228,150
Net sales (B)	785,110	747,077
Operating margin (A/B)	32%	30%
<b>Profit margin</b>	<b>2021</b>	<b>2020</b>
Profit before tax (A)	252,712	227,583
Net sales (B)	785,110	747,077
Profit margin (A/B)	32%	30%
<b>Equity per share</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Equity attributable to owners of the Parent Company (A)	1,877,365	1,746,243
Average number of shares (B)	20,196	17,855
Equity per share (A/B)	92.96	97.80

## Change in sales by segment

Description	Definition	Paediatrics 2021	Adult Health 2021	Other 2021	Total 2021	
A	Previous year's net sales according to the average rate	583,111	161,187	2,780	747,077	
B	Net sales for the year according to the average rate	603,690	176,854	4,566	785,110	
C	Reported change	B-A	20,579	15,668	1,786	38,033
	Percentage change	C/A	4%	10%	64%	5%
D	Net sales for the year according to the previous year's average rate	643,482	187,127	4,566	835,175	
E	Foreign exchange effects	C-F	-39,792	-10,273	0	-50,065
	Foreign exchange effects, %	E/A	-7%	-6%	0%	-7%
F	Organic change	D-A	60,371	25,941	1,786	88,098
	Organic change, %	F/A	10%	16%	64%	12%

## Average key exchange rates

	Group	
	2021	2020
EUR	10.13	10.54
USD	8.49	9.27
JPY	0.0781	0.0862

## Note 2 Segment reporting

BioGaid'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 subsidiaries. Together these account for less than 10% of sales and are therefore not reported separately.

## Net sales by segment

	Group	
	2021	2020
Paediatrics	603,690	583,111
Adult Health	176,855	161,186
Other	4,566	2,780
	785,110	747,077

## Gross profit by segment

Paediatrics	458,480	431,810
Adult Health	119,958	112,588
Other	4,511	2,521
	582,949	546,918
Selling, administrative and R&D expenses	-340,450	-302,425
Other operating income/expenses	11,238	-16,343
Operating profit	253,737	228,150
Net financial items	-1,025	-567
Group profit before tax	252,712	227,583

In 2021, SEK 187.5 million (194.8) or 24% (26%) of revenue in the Group was attributable to three customers. Three of these customers belong to the Paediatrics segment while two belong to both the Paediatrics and the Adult Health segments. In 2021, no customer accounted for more than 10% of sales. In 2020, 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	101,469	82,689
Adult Health	110,892	86,625
Other	2,092	1,432
	214,453	170,746

## EMEA

Paediatrics	288,383	312,520
Adult Health	45,103	58,894
Other	2,318	1,169
	335,804	372,583

## Americas

Paediatrics	213,837	187,902
Adult Health	20,860	15,667
Other	156	179
	234,853	203,748
Total	785,110	747,077

## Date of recognition

	Group		Parent Company	
	2021	2020	2021	2020
Performance obligations met on specific date (Product sales)	753,464	721,491	717,997	685,337
Performance obligations met over time (Licenses and royalties)	31,646	25,586	14,012	14,012
<b>Total</b>	<b>785,110</b>	<b>747,077</b>	<b>732,009</b>	<b>699,349</b>
<b>Contractual assets</b>				
Accrued revenue (Royalties)	2,963	3,147	2,760	3,147
<b>Total</b>	<b>2,963</b>	<b>3,147</b>	<b>2,760</b>	<b>3,147</b>

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)	2,372	11,184	180	200
<b>Total</b>	<b>2,372</b>	<b>11,184</b>	<b>180</b>	<b>200</b>

Contractual liabilities where performance obligations are met over time refers to accruals related to license and royalty revenue. The variation relates to resolution of license and royalty liabilities. The prepayment pertaining to license fees of SEK 2.2 million will be recognised as revenue in the first quarter of 2022.

For contractual liabilities at the beginning of the year, SEK 8.8 million was recognised as revenue during the year.

## Performance obligations met on specific date (Product sales)

	Group	
	2021	2020
Paediatrics	595,361	570,829
Adult Health	155,355	148,635
Other	2,748	2,027
<b>Total</b>	<b>753,464</b>	<b>721,491</b>

## Performance obligations met over time (royalties)

Paediatrics	8,329	12,282
Adult Health	21,500	12,551
Other	1,817	753
<b>Total</b>	<b>31,646</b>	<b>25,586</b>

Of the Group's assets, which amount to SEK 2,128.1 million (1,913.3), more than 90% are located in Europe. Of the Group's capital expenditure on property, plant and equipment during the year, totalling SEK 6.4 million (16.1), more than 90% took place in Europe.

Sales in Sweden accounted for SEK 16.3 million (15.6) or 2% (2%) of total revenue in the Group. The Group's largest markets are Brazil, France, Japan, China and USA (Brazil, France, Japan, China and USA). These markets account for approximately 40% (38) of total revenue.

The Group's non-current assets amount to SEK 376.0 million (223.7) of which SEK 351.0 million (218.2) is located in Sweden and SEK 25.0 million (5.5) in other countries (USA and Japan).

## Note 3 Employees and personnel expenses, remuneration to senior executives

## Average number of employees by country

	2021	of whom, men	2020	of whom, men
<i>Parent Company:</i>				
Sweden	95	31	95	30
<i>Subsidiaries:</i>				
Sweden	36	22	37	22
Japan	27	11	23	10
USA	2	2	2	2
Finland	1	-	-	-
<b>Total subsidiaries</b>	<b>66</b>	<b>35</b>	<b>62</b>	<b>34</b>
<b>Total Group</b>	<b>161</b>	<b>66</b>	<b>157</b>	<b>64</b>

The number of employees in the Group at 31 December 2021 was 167 (160).

## Salaries and other remuneration divided by country and between the Board/CEO and other employees

	2021 Board, CEO and Executive Vice Presidents	2021 Other employees	2020 Board, CEO and Executive Vice Presidents	2020 Other employees
<i>Parent Company:</i>				
Sweden	14 9304	66,739	10,137	57,053
<i>Subsidiaries:</i>				
Sweden	3,467	14,030	4,130	14,220
Japan	4,446	8,229	4,856	7,952
USA	-	3,895	-	3,873
Finland	659	142	-	-
<b>Total subsidiaries</b>	<b>8,572</b>	<b>26,296</b>	<b>8,986</b>	<b>26,045</b>
<b>Total Group</b>	<b>23,476</b>	<b>93,035</b>	<b>19,123</b>	<b>83,098</b>

## Total salaries and social security expenses

	Group		Parent Company	
	2021	2020	2021	2020
Salaries and other remuneration	116,511	102,221	81,643	67,190
Pension expenses, Board, CEO and Executive Vice Presidents	3,071	2,511	2,229	1,624
Pension expenses for other employees	11,187	9,200	10,966	8,293
Other social security expenses	33,832	27,239	27,177	20,657
<b>Total</b>	<b>164,602</b>	<b>141,172</b>	<b>121,115</b>	<b>97,764</b>

## 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<sup>4</sup> 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 income base amounts	>7.5-30 income base amounts	>30 income base amounts
Premium	4.5%	30%	0%

<sup>4</sup>For the CEO pension insurance premiums are paid with 4.5% within 7.5 income base amounts and with 30% above 7.5 income base amounts.

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

#### BioGaia's incentive scheme for the employees

BioGaia had a bonus programme for all employees in the Parent Company in 2021. The bonus is partly based on whether sales and operating profit reach budgeted levels and on a number of key qualitative targets for operations.

The maximum bonus amounts to 12% of salary. For 2021, the bonus achieved in the Parent Company was approximately 6% (0%) and the cost of the programme for the Group amounted to SEK 6.0 million (0.1). After the balance sheet date, an extra bonus was approved for the CEO for 2021 of SEK 400,000 that was not included in the expensed variable remuneration for 2021. The expensed variable remuneration for 2021 includes an extra bonus of SEK 100,000 pertaining to 2020 that was approved after the balance sheet date for 2020.

#### Subscription warrants programme

BioGaia implemented a subscription warrants programme as resolved by the 2021 Annual General Meeting. The programme involves the issue of a maximum of 365,000 warrants where each warrant shall entitle the holder during the period from 6 July 2024 through 6 November 2024 to subscribe for one new Class B share in BioGaia for a subscription price per share that amounts to SEK 578.2. The employees were invited to purchase the warrants at an amount of SEK 55.6 which was the market value determined by an external valuation using a Black–Scholes model. Significant assumptions in model included a share price of SEK 413.0, risk-free interest of 0%, volatility of 37% and a time of period of 3.5 years. A total of 89,730 warrants have been subscribed for. The programme also includes a stay-on bonus extending over a three-year period.

#### 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 seven persons who together with the CEO and Executive Vice Presidents make up the Executive Management.

In the event of termination by the company, the CEO and Executive 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
<b>Board Chairman:</b>					
Peter Rothschild	670	704			1,374
<b>Vice Chairman:</b>					
David Dangoor	540				540
<b>Board members:</b>					
Ewa Björling	250				250
Christian Bubenheim	250				250
Peter Elving	270				270
Maryam Ghahremani	250				250
Anthon Jahreskog	350				350
Niklas Ringby*	250				250
Vanessa Rothschild	250				250

<b>CEO:</b>				
Isabelle Ducellier	3,004	276	586	3,866
<b>Executive Vice Presidents:</b>				
Ulrika Köhler	1,622	–	363	1,985
Sebastian Schröder	1,669	165	358	2,192
Urban Strindlöv	5,228	109	922	6,259
Other senior executives (7 persons):	9,661	690	1,731	12,082
	<b>3,080</b>	<b>21,888</b>	<b>1,240</b>	<b>3,960</b>
			<b>30,168</b>	

\*) Net proceeds are transferred to the EQT foundation according to EQT's policy for board fees in EQT portfolio companies.

#### Gender distribution

	2021 Women	2021 Men	2020 Women	2020 Men
Board members	3	6	3	5
Management including CEO	5	6	4	6

#### Note 4 Auditor's fees

	Group		Parent Company	
	2021	2020	2021	2020
<b>Deloitte AB</b>				
Audit fees	1,127	703	982	603
Audit services in addition to audit	–	135	–	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	
	2021	2020	2021	2020
Government subsidy	98	1,084	–	–
Exchange rate gains on receivables and operating liabilities, net	11,506	–	11,506	–
	<b>11,604</b>	<b>1,084</b>	<b>11,506</b>	<b>–</b>

Government subsidy refers to support related to Covid-19 in Japan.

#### Note 6 Other operating expenses

	Group		Parent Company	
	2021	2020	2021	2020
Exchange rate losses on receivables and operating liabilities, net	365	17,427	–	16,943
	<b>365</b>	<b>17,427</b>	<b>–</b>	<b>16,943</b>

At 31 December 2021, the Parent Company and the Group had outstanding forward exchange contracts for EUR 0 million (3.5) and for USD 0 million (0.1).

## Note 7 Operating expenses

### Operating expenses allocated by type of cost

	Group		Parent Company	
	2021	2020	2021	2020
Cost of sales	202,161	200,159	256,210	241,555
Personnel expenses	168,149	141,853	124,146	98,347
Depreciation/amortisation	27,241	20,530	3,736	3,746
Other operating expenses	145,426	156,385	155,500	161,381
	542,977	518,927	539,592	505,029

For the Parent Company operating expenses include lease payments excluding rents with SEK 0.6 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 0.9 million (1.7). The Parent Company's lease payments excluding rents fall due for payment with SEK 0.7 million (0.7) within one year and SEK 0.2 million (0.9) within two to five years.

The Parent Company's future payment commitments regarding rents amount to SEK 17.7 million (26.2). The Parent Company's rents fall due for payment with SEK 8.3 million (5.9) within one year, SEK 9.4 million (19.4) within two to five years and SEK 0 million (0.8) 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	
	2021	2020	2021	2020
Total R&D expenses excl. amortisation	102,543	101,864	83,719	82,169
Development expenses capitalised during the year	-	-	-	-
R&D expenses not capitalised	102,543	101,864	83,719	82,169
Amortisation component of R&D expenses *)	2,924	2,799	1,844	1,894
R&D expenses with an effect on profit/loss	105,467	104,663	85,563	84,063

\*) 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	
	2021	2020	2021	2020
Interest income	107	155	688	1,169
	107	155	688	1,169

## Note 9 Financial expenses

	Group		Parent Company	
	2021	2020	2021	2020
Interest expenses	1,132	722	-	-
	1,132	722	-	-

## Note 10 Tax on profit for the year

	Group		Parent Company	
	2021	2020	2021	2020
Current tax	-53,609	-45,641	-39,344	-37,061
Deferred tax	-2,830	-2,212	-	-
	-56,439	-47,853	-39,344	-37,061

### Deferred tax in untaxed reserves

	Group		Parent Company	
	2021	2020	2021	2020
Deferred tax attributable to untaxed reserves	2,724	2,514	-	-
	2,724	2,514	-	-

### Change in deferred tax liability

	Group	
	2021	2020
Opening balance deferred taxes	11,312	10,339
Deferred tax from acquisitions	2,620	-
Provision for deferred tax	308	973
Closing deferred tax liability	14,240	11,312

The deferred tax liability in untaxed reserves SEK 2.7 million and relating to buildings SEK 0.6 million is attributable to the subsidiary BioGaia Production AB. A deferred tax liability from the acquisition of Nutraceuticals Inc. amounts to SEK 2.6 million and other deferred tax liability is related to ongoing research and development projects in MetaboGen AB.

### C

### Change in deferred tax assets

	Group	
	2021	2020
Opening balance deferred taxes	5,279	6,518
Resolution of deferred tax asset	-2,522	-1,239
Closing balance, deferred tax	2,757	5,279

SEK 1.2 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 1.6 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	
	2021	2020	2021	2020
Reported profit before tax	252,712	227,583	185,903	174,733
Tax rate	20.6%	21.4%	20.6%	21.4%
Anticipated tax expense	-52,059	-48,703	-38,296	-37,393
Tax effect of other non-deductible and non-taxable items	-2,899	-484	-1,048	332
Tax effect of other rates for foreign subsidiaries	-1,359	-829	-	-



Note 10, cont.

Tax effect on unrecognised deferred tax on loss carry forwards	-235	-	-	-
Tax effect attributable to previous years	0	2,241	-	-
Other tax adjustment	112	-78	-	-
<b>Actual tax expense</b>	<b>-56,439</b>	<b>-47,853</b>	<b>-39,344</b>	<b>-37,061</b>

The tax rate for the Group amounted to 22% (21) of profit for the year after financial items.

## Note 11 Intangible assets

Group	R&D projects in progress	Goodwill	Development costs	Total intangible assets
<i>Accumulated cost</i>				
Opening balance, 1 January 2020	45,850	5,300	6,708	57,858
Additions	-	-	-	-
<b>Closing balance, 31 December 2020</b>	<b>45,850</b>	<b>5,300</b>	<b>6,708</b>	<b>57,858</b>
Opening balance, 1 January 2021	45,850	5,300	6,708	57,858
Acquisition of Nutraceuticals	-	-	-	143,927
<b>Closing balance, 31 December 2021</b>	<b>45,850</b>	<b>149,227</b>	<b>6,708</b>	<b>201,785</b>
<i>Accumulated amortisation</i>				
Opening balance, 1 January 2020	-	-	-	-
Depreciation/amortisation	-	-	2,236	2,236
<b>Closing balance, 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>2,236</b>	<b>2,236</b>
Opening balance, 1 January 2021	-	-	2,236	2,236
Depreciation/amortisation	-	-	2,236	2,236
<b>Closing balance, 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>4,472</b>	<b>4,472</b>
<i>Carrying amounts:</i>				
At 1 January 2020	45,850	5,300	6,708	57,858
At 31 December 2020	45,850	5,300	4,472	55,622
<b>At 31 December 2021</b>	<b>45,850</b>	<b>149,227</b>	<b>2,236</b>	<b>197,313</b>
<b>Parent Company</b>				
	R&D projects in progress	Goodwill	Development costs	Total intangible assets
<i>Accumulated cost</i>				
Opening balance, 1 January 2020	-	-	6,708	6,708
Additions	-	-	-	-
<b>Closing balance, 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>6,708</b>	<b>6,708</b>

Opening balance, 1 January 2021	6,708	6,708
Additions	-	-
<b>Closing balance, 31 December 2021</b>	<b>6,708</b>	<b>6,708</b>

### *Accumulated amortisation*

Opening balance, 1 January 2020	-	-	-	-
Depreciation/amortisation	-	-	2,236	2,236
<b>Closing balance, 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>2,236</b>	<b>2,236</b>

Opening balance, 1 January 2021	-	-	2,236	2,236
Depreciation	-	-	2,236	2,236
<b>Closing balance, 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>4,472</b>	<b>4,472</b>

### *Carrying amounts:*

At 1 January 2020	-	-	6,708	6,708
At 31 December 2020	-	-	4,472	4,472
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>2,236</b>	<b>2,236</b>

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 where MetaboGen is a cash-generating unit.

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% (2%). The discount rate amounts to 7.72% (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 34 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 in 3 years. Nutraceuticals was acquired in the end of December 2021 and goodwill from the acquisition amounts to SEK 143.9 million. The recoverable amount has been calculated at fair value less costs to sell and been estimated at the price that BioGaia paid for the shares. No impairment of Goodwill in relation to Nutraceuticals has therefore been recognised.

## Note 12 Right-of-use assets

Group	Land and buildings		Equipment	Total rights of use
<i>Accumulated cost</i>				
Opening balance, 1 January 2020	24,974		1,399	26,323
Additions	16,752		458	17,210
Disposals	-979		-	-979
<b>Closing balance, 31 December 2020</b>	<b>40,697</b>		<b>1,857</b>	<b>42,554</b>
Opening balance, 1 January 2021	40,697		1,857	42,554
Additions	345		178	523
Disposals	-2,552		-	-2,552
<b>Closing balance, 31 December 2021</b>	<b>38,490</b>		<b>2,035</b>	<b>40,525</b>
<i>Accumulated depreciation</i>				
Opening balance, 1 January 2020	5,960		68	6,028
Depreciation	7,440		192	7,632
Disposals	33		-	33
<b>Closing balance, 31 December 2020</b>	<b>13,433</b>		<b>260</b>	<b>13,693</b>
Opening balance, 1 January 2021	13,433		260	13,693
Depreciation	6,833		694	7,527
Impairment	4,225		-	4,225
<b>Closing balance, 31 December 2021</b>	<b>24,491</b>		<b>954</b>	<b>25,445</b>
<i>Carrying amounts:</i>				
At 1 January 2020	18,964		1,331	20,295
At 31 December 2020	27,264		1,597	28,861
At 31 December 2021	13,999		1,081	15,080

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 an impairment relating to a rental contract as a result of reorganisation. A maturity analysis of lease liabilities and incremental borrowing rate is presented in Note 27.

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

	Group	
	2021	2020
Depreciation of right-of-use assets	11,752	7,632
Interest expense for lease liabilities	739	578
Expenses related to short-term leases and low-value leases	3,760	3,512
<b>Total</b>	<b>16,251</b>	<b>11,722</b>

Total cash-flow for leases amounts to approximately SEK 12.0 million (11.7).

## Note 13 Property, plant and equipment

Group	Land and buildings		Production and laboratory equipment		Work in progress		Equipment, computers		Total property, plant and equipment
<i>Accumulated cost:</i>									
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
<b>Closing balance, 31 December 2020</b>	<b>109,221</b>		<b>79,821</b>		<b>-</b>		<b>24,622</b>		<b>213,664</b>
Opening balance, 1 January 2021	109,221		79,821		-		24,622		213,664
Additions	1,466		61		-		4,851		6,378
Acquisition of Nutra-ceutics	16,801		-		-		2,557		19,358
Disposals	-		-3,744		-		-168		-3,912
Exchange differences	-		-		-		-17		-17
<b>Closing balance, 31 December 2021</b>	<b>127,488</b>		<b>76,138</b>		<b>-</b>		<b>31,845</b>		<b>235,471</b>
<i>Accumulated depreciation:</i>									
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
<b>Closing balance, 31 December 2020</b>	<b>18,144</b>		<b>41,873</b>		<b>-</b>		<b>19,743</b>		<b>79,760</b>
Opening balance, 1 January 2021	18,144		41,873		-		19,743		79,760
Depreciation	3,872		7,091		-		2,289		13,252
Acquisition of Nutra-ceutics	5,320		-		-		2,506		7,826
Disposals	-		-3,744		-		-168		-3,912
Exchange differences	-		-		-		-10		-10
<b>Closing balance, 31 December 2021</b>	<b>27,336</b>		<b>45,220</b>		<b>-</b>		<b>24,360</b>		<b>96,916</b>
<i>Carrying amounts:</i>									
At 1 January 2020	93,419		31,250		-		4,078		128,747
At 31 December 2020	91,077		37,948		-		4,879		133,904
At 31 December 2021	100,152		30,918		-		7,485		138,555

### Parent Company

	Production and laboratory equipment	Equipment and computers	Total property, plant and equipment
<i>Accumulated cost:</i>			
Opening balance, 1 January 2020	11,894	12,806	24,700
Disposals	-	-	-
Additions	807	-	807
<b>Closing balance, 31 December 2020</b>	<b>12,701</b>	<b>12,806</b>	<b>25,507</b>

Note 13, cont.

Opening balance, 1 January 2021	12,701	12,806	25,507
Additions	-	-	-
<b>Closing balance, 31 December 2021</b>	<b>12,701</b>	<b>12,806</b>	<b>25,507</b>
<i>Accumulated depreciation:</i>			
Opening balance, 1 January 2020	5,670	12,081	17,751
Depreciation	1,346	164	1,510
<b>Closing balance, 31 December 2020</b>	<b>7,016</b>	<b>12,245</b>	<b>19,261</b>
Opening balance, 1 January 2021	7,016	12,245	19,261
Depreciation	1,247	252	1,499
<b>Closing balance, 31 December 2021</b>	<b>8,263</b>	<b>12,497</b>	<b>20,760</b>
<i>Carrying amounts:</i>			
At 1 January 2020	6,224	725	6,949
At 31 December 2020	5,685	561	6,246
<b>At 31 December 2021</b>	<b>4,438</b>	<b>309</b>	<b>4,747</b>

Depreciation of property, plant and equipment is recognised on the following lines in the income statement

	Group		Parent Company	
	2021	2020	2021	2020
Cost of sales	8,888	6,963	-	-
Selling expenses	1,102	958	154	163
Administrative expenses	660	515	33	35
Research and development expenses	2,602	1,823	1,313	918
	13,252	10,260	1,499	1,115

## Note 14 Financial assets

### Parent Company

Participations in group companies	2021	2020
At beginning of year	154,671	154,671
Group contribution paid to CapAble AB	-	1,269
Group contribution paid to BioGaia Pharma AB	8,701	9,438
Group contribution paid to MetaboGen AB	10,007	10,048
Group contribution paid to TriPac AB	3	-
Impairment loss on shares in subsidiaries	-18,708	-20,755
Shareholder contributions for the acquisition of shares in Nutraceuticals to BioGaia Biologics Inc.	134,250	-
Acquisition of shares in MetaboGen	11,441	-
Shareholder contribution to BioGaia Invest AB	23,025	-
Shareholder contribution to BioGaia Finland OY	6,059	-
Shareholder contribution to BioGaia UK Ltd	2,360	-
<b>Carrying amount at end of year</b>	<b>331,809</b>	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	134,250
TriPac AB /556153-2200/Stockholm	10,000	100	3,603
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
BioGaia Invest AB /559306-5849/ Stockholm	10,000	100	23,025
BioGaia UK Limited /13574654/ London	1	100	2,360
BioGaia Finland OY /3206997-7/ Helsinki	10	100	6,059
MetaboGen AB /5566872-7142/Stockholm	819,091	100	100,729
BioGaia Production AB /556591-9767/Eslöv	10,000	100	40,641
			<b>331,809</b>

During the year, BioGaia Biologics Inc. acquired 80% of participations in Nutraceuticals Inc. which in turn owns 100% of Everidis Inc.

The assets and liabilities of the American subsidiary BioGaia Biologics Inc, Nutraceuticals Inc and Everidis Inc have been translated at the closing day rate of exchange, SEK 9.04 (8.19). 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 0.0785 (0.0792). Income statement items have been translated at an exchange rate of SEK 0.0781 (0.0862). The resulting translation differences have been recognised in consolidated comprehensive income.

CapAble AB is a wholly owned subsidiary of BioGaia AB.

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 CEO, Nigel Titford owns 4% of the company. The minority share of equity in BioGaia Pharma amounts to SEK 2,000.

BioGaia acquired the remaining share of MetaboGen AB (7.6%) and now owns 100% of the company.

BioGaia launched three wholly owned subsidiaries during the year. BioGaia Invest AB, BioGaia Finland OY and BioGaia UK Ltd.

Of total purchases made by the Parent Company, 32.1% (27.4) was attributable to group companies. Of the Parent Company's sales, 3.0% (2.9) went to group companies.

## Note 15 Non-current receivables from subsidiaries

### Non-current receivables from subsidiaries

	Parent Company	
	2021	2020
At beginning of year	10,835	35,835
Exchange difference related to loan to BioGaia Japan Inc.	-437	-3,807
Revaluation/provision for net receivable	437	3,807
Repayment of loan from BioGaia Production AB	-	-25,000
	10,835	10,835

### Non-current receivables from group companies at 31 December 2021

	Parent Company	
	2021	2020
BioGaia Production AB	10,835	10,835
Closing balance at end of year	10,835	10,835

## Note 16 Inventories

	Group		Parent Company	
	2021	2020	2021	2020
Raw materials and consumables	20,778	18,273	-	-
Finished goods and goods for resale	81,959	54,004	38,247	49,154
	102,737	72,277	38,247	49,154

The Group's provision for obsolescence amounted to SEK 6.5 million (8.1) at 31 December 2021. Expenses relating to Impairment losses on inventory and scrapping amounted to SEK 1.2 million (4.1).

## Note 17 Trade receivables

Provisions for trade receivables amounted to SEK 3.8 million (4.0) at 31 December 2021.

The provisions relate partly to impairment of identified doubtful receivables of SEK 3.3 million (3.4) and partly to a provision for expected credit losses in accordance with IFRS 9 of SEK 0.5 million (0.6).

At 31 December 2021, trade receivables amounting to SEK 27.2 million (13.5) were overdue. Of the overdue receivables, SEK 25.1 million had been recovered as of the date of signing of the financial statements. The general increase in trade receivables is related to the acquisition of Nutraceuticals.

### Age analysis

	Group		Parent Company	
	2021	2020	2021	2020
Receivables not overdue	91,941	85,669	67,485	68,138
Less than 3 months	26,510	12,836	26,510	12,830
3-6 months	471	335	471	335
More than 6 months	165	310	165	310
Expected loss provision IFRS 9	-499	-639	-	-
	118,588	98,511	94,631	81,613

The carrying amounts, by currency, are as follows

	Group		Parent Company	
	2021	2020	2021	2020
EUR	32,284	35,489	31,590	35,421
USD	53,616	37,084	48,363	37,084
SEK	14,802	9,373	14,678	9,108
JPY	18,123	17,204	-	-
GBP	261	0	-	-
Expected loss provision IFRS 9	-499	-639	-	-
	118,587	98,511	94,631	81,613

## 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 founders Jan Annwall and Peter Rothschild who is Chairman of the Board of BioGaia. Transactions that took place in 2021 were a dividend of SEK 3.41 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., Capable AB, Tripac AB and MetaboGen AB.

The Parent Company owns 100% of the newly established subsidiaries BioGaia Invest AB, BioGaia Finland OY and BioGaia UK Ltd.

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

### The following transactions have taken place with BioGaia Production AB

	Parent Company	
	2021	2020
Interest income	129	244
Purchase of services	-2,965	-1,522
Purchase of goods	-157,793	-120,201
Sales of services	-	-

Goods are purchased on a cost plus basis.

### The following transactions have taken place with BioGaia Japan Inc.

	Parent Company	
	2021	2020
Interest income	854	899
Repayment of loans from BioGaia Japan	-	-
Purchase of services	-	-
Sale of goods	21,086	20,200

### The following transactions have taken place with BioGaia Biologics Inc.

	Parent Company	
	2021	2020
Shareholder contribution provided	-134,250	-
Purchase of services	-12,198	-11,285

### The following transactions have taken place with CapAble AB

	Parent Company	
	2021	2020
Sales of services	-	78
Purchase of services	-	-
Group contribution paid	-	-1,269

### The following transactions have taken place with BioGaia Pharma AB

	Parent Company	
	2021	2020
Sales of services	60	60
Group contribution paid	-8,701	-9,438
Shareholder contribution provided	-	-

### The following transactions have taken place with Tripac AB

	Parent Company	
	2021	2020
Group contribution paid	-3	-

The following transactions have taken place with MetaboGen AB

	Parent Company	
	2021	2020
Sales of services	120	120
Group contribution paid	-10,008	-10,048
Shareholder contribution provided	-	-

The following transactions have taken place with BioGaia Finland

	Parent Company	
	2021	2020
Sale of goods	3,073	-
Shareholder contributions	-6,059	-

The following transactions have taken place with BioGaia UK

	Parent Company	
	2021	2020
Sale of goods	972	-
Shareholder contributions	-2,360	-

The closing balance at the end of the period was as follows

	Parent Company	
	31 Dec 2021	31 Dec 2020
<b>Non-current receivables from subsidiaries</b>		
Non-current receivables, BioGaia Production AB	10,835	10,835
	10,835	10,835
<b>Current liabilities from subsidiaries</b>		
Current liabilities, BioGaia Biologics Inc	-16,466	-14,328
Current liabilities, CapAble AB	-4,287	-4,268
Current liabilities, Tripac AB	-	-4,680
Current liabilities, BioGaia Pharma AB	-8,645	-7,397
Current liabilities, BioGaia Production AB	-20,801	-14,633
Current liabilities, BioGaia Invest AB	-770	-
Current liabilities, MetaboGen AB	-24,247	-27,258
	-75,216	-72,564
<b>Current receivables from subsidiaries</b>		
Current receivables Tripac	306	-
Current receivables BioGaia UK	191	-
Current receivables, BioGaia Japan Inc.	26,554	24,988
	27,051	24,988

See also Note 3 for other related party transactions.

## Note 19 Other current receivables

	Group		Parent Company	
	2021	2020	2021	2020
VAT refund	13,485	10,994	13,485	10,994
Current tax assets	15,926	24,786	15,700	23,142
Other receivables	6,893	5,758	3,633	2,729
	36,304	41,538	32,818	36,865

## Note 20 Deferred expenses and accrued income

	Group		Parent Company	
	2021	2020	2021	2020
Accrued income	9,564	3,147	4,780	3,147
Prepaid rents	0	1,735	0	1,553
Other deferred expenses	204	4,486	0	693
	9,768	9,368	4,780	5,393

## Note 21 Financial assets and liabilities

Financial assets	31 Dec 2021		31 Dec 2020	
	Fair value through profit and loss	Accrued cost	Fair value through profit and loss	Accrued cost
Trade receivables	-	118,588	-	98,511
Shares in unlisted companies	22,229	-	-	-
Forward contracts	-	-	2,403	-
Cash and cash equivalents	-	1,484,680	-	1,467,883
<b>Financial liabilities</b>				
Trade payables	-	42,313	-	48,046
Provision for additional purchase price	100,591	-	-	-

### Measurement of financial instruments at fair value

#### Financial liabilities

BioGaia has a financial liability relating to the additional purchase price in business acquisitions that is measured at fair value through profit or loss. The additional purchase price is due to the acquisition of Nutraceuticals and is based on the company's sales in 2026 or 2027. The amount may also be adjusted if the agreed budget for marketing costs is exceeded.

BioGaia's best assessment of fair value at 31 December 2021 amounted to SEK 100.6 million. Estimates of fair value are based on Level 3 of the hierarchy for fair value, which means fair value is determined using valuation models where significant inputs are based on unobservable data. The measurement was based on anticipated future cash flows discounted with a market-based interest rate.

#### Financial assets

During the year, BioGaia acquired shares in the companies Boneprox AB and Skinome AB as part of the formation of BioGaia Invest at a value of SEK 22.2 million. These financial assets are measured at fair value through profit or loss. Estimates of fair value are based on Level 3 of the hierarchy for fair value, which means fair value is determined using valuation models where significant inputs are based on unobservable data.

The acquisitions were completed during the year and no additional transactions have occurred in these companies to indicate a change in value. Fair value of these financial assets therefore corresponds to cost.

Loss from forward contracts amounted to SEK 2.4 million during the year. No new forward contracts were initiated.

#### Other financial assets and liabilities

Trade receivables, trade payables, prepayments from customers and accrued income 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 issue of subscription warrants raised proceeds of SEK 4.5 million during the year.

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 2020, as resolved at the 2021 Annual General Meeting, was SEK 68.9 million and corresponded to SEK 3.41 per share. In accordance with the dividend policy, the Board proposes that the upcoming Annual General Meeting on 6 May 2022 approves an ordinary dividend according to policy of SEK 3.63 (3.41) per share, plus an extra dividend of SEK 11.29 (0) per share resulting in a total dividend of SEK 14.92 (3.41) per share corresponding to SEK 301.3 million (68.8). The extra dividend corresponds to an extra dividend of SEK 3.63 per share for 2021, and the foregone extra dividend due to the prevailing Covid-19 situation of SEK 4.25 per share for 2019 and SEK 3.41 per share for 2020.

The Board further proposes to the forthcoming Annual General Meeting, a provision to the Foundation to Prevent Antibiotic Resistance of SEK 2.9 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 2021, total consolidated equity amounted to SEK 1,877.4 million (1,746.2) and equity attributable to owners of the Parent Company amounted to SEK 1,877.4 million (1,746.2).

**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

	2021	2020
Number of shares at 31 Dec, thousands	20,196	20,196
Average number of shares, thousands <sup>3)</sup>	20,196	17,855
Earnings per share, SEK <sup>1) 3)</sup>	9.72	10.07
Equity per share, SEK <sup>2)</sup>	92.96	97.80
Return on equity, %	11	16
Share price on balance-sheet date, SEK	518.00	537.00
Dividend per share, SEK <sup>2)</sup>	14.92	3.41

<sup>1)</sup> Key ratio defined according to IFRS.

<sup>2)</sup> Dividend proposed but not yet approved. The Board and the CEO propose that the company pays a dividend of SEK 14.92.

<sup>3)</sup> A bonus issue element from the 2020 new issue has been taken into account in the calculation of earnings per share before and after dilution and equity per share, which means that comparative figures have been recalculated.

## Note 23 Proposed appropriation of profits

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

Retained earnings	1,547,992
Profit for the year	146,559
<b>Profits available for appropriation</b>	<b>1,694,551</b>

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

To be paid as a dividend to the shareholders	301,331
Provision to foundation to prevent antibiotic resistance	2,900
To be carried forward to new account	1,390,320
<b>Total</b>	<b>1,694,551</b>

## Note 24 Other liabilities

	Group		Parent Company	
	2021	2020	2021	2020
Employee withholding tax	3,379	2,694	2,922	2,244
Current tax liabilities	4,481	1,170	-	-
Other current liabilities	17,569	23,245	-	-
	<b>25,429</b>	<b>27,109</b>	<b>2,922</b>	<b>2,244</b>

Other current liabilities also include a short-term lease liability of SEK 10.4 million.

## Note 25 Accrued expenses and deferred income

	Group		Parent Company	
	2021	2020	2021	2020
Accrued holiday pay	15,469	17,014	13,682	11,886
Accrued social security expenses	2,534	4,652	2,200	4,116
Other accrued expenses and deferred income	38,396	27,057	35,095	26,961
	<b>56,399</b>	<b>48,723</b>	<b>50,977</b>	<b>42,963</b>

## Note 26 Pledged assets and contingent liabilities

	Group		Parent Company	
	2021	2020	2021	2020
<b>Pledged assets</b>				
Floating charges	-	-	-	-
Contingent liabilities	None	None	None	None

## 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 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:

### 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 2021 was approximately:	Breakdown of expenses in 2021 was approximately:
EUR 39% (43%)	SEK 65% (55%)
USD 44% (38%)	EUR 18% (22%)
SEK 6% (9%)	JPY 6% (11%)
Other currencies 11% (10%)	USD 10% (11%)
	Other currencies 1% (1%)

In 2021, the company had a cash flow surplus of approximately EUR 19.2 million (20.1), a cash flow deficit of JPY 75.6 million (-112.4) and a cash flow surplus of USD 31.8 million (24.2).

The company previously had a policy relating to forward contracts but following revision of the policy in 2020, no new forward contracts were taken. The company held no outstanding forward exchange contracts on 31 December 2021.

The average exchange rate for EUR/SEK in 2021 was SEK 10.14 (10.54). If the EUR/SEK rate had been SEK 1.0 higher/lower, BioGaia's net sales would have been approximately SEK 28.6 million higher/lower and operating profit approximately SEK 18.9 million higher/lower. The average exchange rate for USD/SEK in 2021 was SEK 8.58 (9.27). If the USD/SEK rate has been SEK 1.0 higher/lower, BioGaia's net sales would have been approximately SEK 38.3 million higher/lower and operating profit approximately SEK 32.0 million higher/lower. A stronger SEK rate, primarily against EUR and USD, decreases BioGaia's sales and profit but 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 six foreign subsidiaries, three in the USA, one in Japan, one in Finland and one in the UK. The assets and liabilities of the American subsidiary have been translated at the closing day rate of SEK 9.04 (8.19). The assets and liabilities of the Japanese subsidiary BioGaia Japan Inc. have been translated at the closing day rate of SEK 0.0785 (0.0792). The assets and liabilities of the Finnish subsidiary BioGaia Finland OY have been translated at the closing day rate of SEK 10.23. The assets and liabilities of the UK subsidiary BioGaia UK Ltd have been translated at the closing day rate of SEK 12.18.

The Group's translation differences amounted to SEK 2.0 million (-4.0). Following the acquisition of Nutraceutics in 2021, translation exposure is expected to increase.

#### 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 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 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 accounts receivable and additional evaluations of the customer's financial position are carried out when required 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. The calculation does not have a material impact for other current financial receivables and accrued income. The parent company has not recorded a provision for expected credit losses since not deemed material.

	Group	
	2021	2020
Trade receivables gross	122,384	102,476
Allowance trade receivables	-3,796	-3,965
<b>Trade receivables net</b>	<b>118,588</b>	98,511

	Group	
	2021	2020
Trade receivables gross	122,384	102,476
Allowance opening balance	-3,965	-3,206
Increase from new receivables	-499	-759
Decrease from paid receivables	668	-
Move to impaired	-	-
<b>Trade receivables closing balance</b>	<b>118,588</b>	98,511

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 maximum exposure to credit risk consists of the carrying amounts of all financial assets and is outlined in the table below:

	Group	
	2021	2020
Trade receivables	118,588	98,511
Other non-current receivables	6,893	5,758
Accrued income	9,564	3,147
Cash and cash equivalents	1,484,680	1,467,883
<b>Maximal exposure for credit risk</b>	<b>1,619,725</b>	1,575,299

#### Cash flow risk

Cash flow for the period amounted to SEK 13.1 million (1,256.6). Cash flow included a dividend of SEK 68.9 million (65.0) and tax payments of SEK 55.9 million (72.1).

#### 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	More than 5 years	
<b>31 December 2020</b>							
Non-current liabilities related to acquisition of MetaboGen	-	-	-	-	-	-	-
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

	Due in less than:						Total
	Interest rate	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	
<b>31 December 2021</b>							
Non-current liabilities related to acquisition of Nutraceutics	9%	-	-	-	-	177,796	177,796
Non-current liabilities (lease liabilities)	3%	-	-	-	9,813	-	9,813
Current liabilities	-	42,946	9,347	10,404	-	-	62,697
		42,946	9,347	10,404	9,813	177,796	250,306

Since cash and cash equivalents at 31 December 2021 amounted to SEK 1,484.7 million (1,467.9), 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. See Note 28 and 29 with respect to additional financial liability relating to the additional purchase price for Nutraceutics.

#### 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.

**Climate-related risk**

BioGaia has an objective to stop selling products with palm oil as an ingredient by 2025. BioGaia considers climate risk in the preparation of its financial statements principally in relation to investment decisions and impairment testing.

**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 and Nutraceutics**

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 additional information.

The Group also reports goodwill from the acquisition of Nutraceutics of SEK 143.9 million, which will be tested for impairment in similar manner in the future. Since the valuation is based on an assessment of future cash flows in the business plan for the company, this is inherently uncertain. Since there is a formal commitment to acquire the remaining share of the company, it is recognised by the Group in full without a minority interest. This impacts the value of goodwill and liabilities for the additional purchase price, which are substantially impaired.

**Financial liability for additional purchase price**

The Group recognises a financial liability for the additional purchase price pertaining to the remaining shares in Nutraceutics amounting to SEK 100.6 million. BioGaia has a commitment to purchase the remaining share of the company but the price will be determined on the basis of sales in 2026 or 2027. The current assessment is based on the business plan's middle scenario and that the purchase price uses sales from 2027 and is settled in April 2028. The nominal value relating to the liability amounts to SEK 177.8 million but as the forecast is uncertain this has been discounted with a WACC of 9.41%. The liability will be measured according to fair value in the income statement. As the measurement includes a number of assessments there is a risk that the liability changes substantially over time.

**Not 29 Acquisition of subsidiaries**

BioGaia has, through its USA subsidiary BioGaia Biologics Inc, signed an agreement to acquire all shares in Nutraceutics Corporation ("Nutraceutics"). Nutraceutics held all shares in Everidis Inc ("Everidis"), which was BioGaia's exclusive distributor of BioGaia branded products in the USA.

The shares will be acquired in two steps, of which the first step took place on 31 December 2021 when BioGaia acquired 80% of the shares for a consideration of USD 9.7 million. In connection with the acquisition, a new issue was carried out in Nutraceutics when BioGaia provided capital of USD 5 million. BioGaia will acquire the remaining 20% of the shares during either 2027 or 2028 (determined at BioGaia's sole discretion) for an amount based on the net revenue for the year directly prior to the acquisition of the remaining shares.

The amount estimated as acquired assets and liabilities are presented in the table below:

(Amounts in SEK 000s)

Property, plant and equipment	11,532
Current assets	46,551
Cash and cash equivalents	2,182
Non-current liabilities	-7,174
Trade payables and other operating liabilities	-4,114
Deferred tax liability	-2,620
Net identifiable assets and liabilities	46,357
Goodwill	143,927
<b>Total consideration transferred</b>	<b>190,284</b>

**Paid through**

Cash and cash equivalents	89,198
Additional purchase price	495
Additional purchase price remaining shares	100,591
<b>Total consideration transferred</b>	<b>190,284</b>

**Revenue and earnings attributable to acquired companies**

The acquisition was concluded on 31 December and the acquired company has contributed net sales of SEK 0 million and net earnings of SEK 0 million. Nutraceutics had, together with Everidis, 23 employees and sales of approximately USD 16.6 million in 2021, of which approximately 87% from products sold under the BioGaia brand, and had an operating profit of about USD 2.4 million. BioGaia's sales and operating profit in 2021 would have been positively affected by SEK 86 million and SEK 22.3 million, respectively, if Nutraceutics had been part of BioGaia throughout 2021.

**Acquisition analysis**

An acquisition analysis was prepared and surplus value was identified for property, plant and equipment and inventory. Deferred tax has been taken into account. The fair value of other receivables is deemed consistent with the carrying amount. There are no material receivables that are not expected to be paid. The remainder pertains to goodwill related to know-how, market position and synergies.

**Additional purchase price**

The final settlement of the first stage of the acquisition will take place in the first quarter of 2022. The liability recognised with respect to this additional purchase price is estimated at approximately SEK 0.5 million. The additional purchase price to acquire the remaining 20% was measured at the fair value of SEK 100.6 million and is recognised as a liability in the Group. For more information, see Note 28.

**Impact on cash flow**

The impact on the Group's cash flow comprises the consideration paid of SEK 89.2 million, and acquired cash funds of SEK 2.2 million. The Group's cash flow is also affected by the settlement of the long-term liability of SEK 7.2 million. Acquisition-related costs amounted to approximately SEK 6.8 million.

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, 25 March 2022**

Peter Rothschild <i>Chairman</i>	Isabelle Ducellier <i>CEO</i>
David Dangoor <i>Vice Chairman</i>	Ewa Björling <i>Member of the Board</i>
Peter Elving <i>Member of the Board</i>	Maryam Ghahremani <i>Member of the Board</i>
Anthon Jahreskog <i>Member of the Board</i>	Niklas Ringby <i>Member of the Board</i>
Vanessa Rothschild <i>Member of the Board</i>	Christian Bubenheim <i>Member of the Board</i>

**Stockholm, 25 March 2022**

Deloitte AB

Birgitta Löf  
*Authorised Public Accountant*



# Auditor's report

To the general meeting of the shareholders of BioGaia AB (publ)

## 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 2021-01-01-2021-12-31. The annual accounts and consolidated accounts of the company are included on pages 44-72 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 2021 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 2021 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 audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

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

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

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

### Valuation of ongoing research and development projects

The group has recognized intangible assets amounting to SEK 45.8m as of December 31, 2021 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 group 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 may 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 groups'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 actuals results
- We have used required valuations specialists in our team in conducting our review

### Accounting for acquisition of subsidiaries

BioGaia has through its US subsidiary BioGaia Biologics Inc, entered into an agreement to acquire all shares in Nutraceuticals Corporation. The shares will be acquired in two steps, of which the first step was completed on December 31, 2021, when BioGaia acquired 80% of the shares. The purchase price allocation has been prepared on the assumption that BioGaia acquired 100% of the shares on December 31, 2021 but that the group will not take over the remaining 20% of the shares until 2027 or 2028. The purchase price for the acquisition of the remaining shares is determined based on the subsidiary sale in 2026 or 2027. The value of the liability for the additional purchase price is subject to some uncertainty and has been discounted with a WACC of 9.41%. It is management's assessment that the identified surplus values identified in the acquisition analysis relate to tangible fixed assets and inventories, the remaining part refers to goodwill. We focused on this area since the accounting is based on management's assessments and estimates to determine the fair value of the liability for the additional purchase price and the value of acquired assets and assumed liabilities. Our audit included but was not limited to the following audit procedures:

- Evaluation of the reasonableness of the assumption that the purchase price allocation has been prepared on the basis that BioGaia has acquired 100% of the shares on December 31, 2021
- Review of the calculation of the value of the debt for the additional liability for the purchase price
- Review of the group's purchase price allocation to evaluate the identification and valuation of acquired assets and assumed liabilities
- Examination that the information provided in Note 28 ("Important estimates and assessments") and Note 29 ("Acquisition of subsidiaries")
- We have used the required valuation specialists in our team in carrying out our audit

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

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 5-41 and 75-81. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

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

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error. In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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

## Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts. 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/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar) 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 2021-01-01-2021-12-31 and the proposed appropriations of the company's profit or loss. Kställande direktören ansvarsfrihet för räkenskapsåret.

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/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description forms part of the auditor's report.

## The auditor's examination of the Esef report

### Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for BioGaia AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements. In our opinion, the Esef report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

### Basis for opinion

Vi har utfört granskningen enligt FARs rekommendation We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of BioGaia AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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

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

### Auditor's responsibility

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

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

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

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

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

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

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

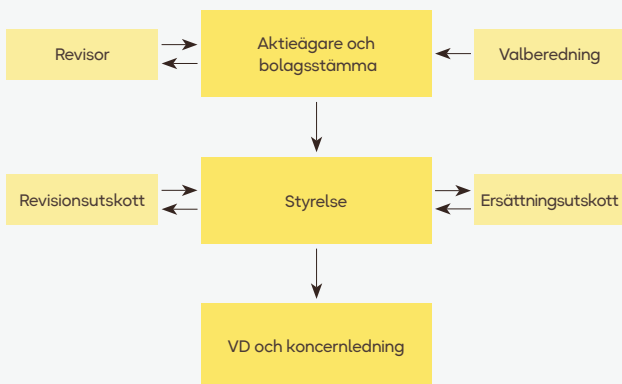
Deloitte AB, was appointed auditor of BioGaia AB (publ) by the general meeting of the shareholders on the 2021-05-06 and has been the company's auditor since 2015-05-22.

Stockholm, March 25, 2022  
Deloitte AB

Birgitta Löof  
Authorized public accountant

# Corporate governance report 2021

**Corporate governance in BioGaia** BioGaia AB (publ), a Swedish public limited company whose class B shares are listed on the Nasdaq Stockholm, applies the Swedish Corporate Governance Code (the Code). The Code is available at [www.bolagsstyrning.se](http://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 2021 financial year. In 2021, 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 77.



**Shares** At year-end 2021 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 4.2% of the capital and 27.9% 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 78 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.

Due to the impact of the Covid-19 pandemic, BioGaia held its 2021 Annual General Meeting via advance voting pursuant to temporary legislation. The Meeting took place with no possibility of attending in person or through a proxy and shareholders exercised their voting rights through advance voting (postal vote).

BioGaia's 2022 Annual General Meeting will be held on 6 May 2022 and a notice of the Annual General Meeting will be sent out in April 2022. 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 2021 Annual General Meeting 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 2021. 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 2022 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 2022 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 Deputy 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 2023 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, Marianne Flink, appointed by the company's third-largest shareholder, Fjärde AP-fonden, and Carlos Moreno, appointed by the company's fourth-largest shareholder, Premier Milton Investors. All members of the Nominating Committee, except for Peter Rothschild, are independent in relation to the company and its Executive 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 Annual General Meeting 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 no fewer than five and no more than nine members with no more than three deputies. The Board has consisted of eight members (without deputies) until the Annual General Meeting on 6 May 2021 and subsequently of nine members (without deputies). 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 81.

**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. BioGaia 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 13 meetings in 2021. 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 dealt with matters relating to the incentive programme, M&As and other expansion issues, major investments and strategic issues. The Board also held details discussions about the overall strategy for BioGaia at its annual strategy review.

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, Financial Policy, Communication Policy, Insider Trading Policy, Anti-Bribery and Anti-Corruption Policy, Data Protection Policy, Diversity Policy and Work Environment Policy.

**Evaluation of the Board** Within BioGaia'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 2021, an extensive evaluation of the work of the Board was carried out, helped by an external consultant, 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 Remuneration Committee complies with the guidelines for senior executives as resolved at the 2020 Annual General Meeting. The Remuneration Committee consists of David Dangoor (chairman), Peter Rothschild and Peter Elving. The Remuneration Committee held two minutes meetings in 2021 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 four minutes meetings during 2021. 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. 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 80. The management team is headed by the CEO and is responsible for planning, supervising and monitoring the company's day-to-day operations. Minuted meetings are normally held once a month. The responsibilities and powers of the Executive Management are defined in the job descriptions and in signature authority instructions.

**Auditors** BioGaia's auditors are normally appointed by the Annual General Meeting to serve for a period of one year. The 2021 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 2022. The auditing firm appointed Birgitta Lööf as Auditor in Charge. By decision of the Annual General Meeting, auditing fees are paid according to approved account.

## Board attendance and remuneration in 2021<sup>1)</sup>

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	13 of 13		2 of 2	650,000		20,000	704,032
David Dangoor	2003	Yes	13 of 13	4 of 4	2 of 2	450,000	50,000	40,000	
Ewa Björling	2015	Yes	12 of 13			250,000			
Peter Elving	2018	Yes	13 of 13		2 of 2	250,000		20,000	
Anthon Jahreskog <sup>2)</sup>	2015	Yes	13 of 13	4 of 4		250,000	100,000		
Vanessa Rothschild	2020	No	12 of 13			250,000			
Maryam Ghahremani	2020	Yes	11 of 13			250,000			
Niklas Ringby <sup>3)</sup>	2020	Yes	10 of 13			-			
Christian Bubenheim <sup>4)</sup>	2021	Yes	8 of 13			250,000			

<sup>1)</sup> 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.

<sup>2)</sup> Is not independent in relation to shareholder Sebastian Jahreskog, who is not a major shareholder.

<sup>3)</sup> Is not independent in relation to shareholder EQT, who is not a major shareholder.

<sup>4)</sup> Elected to the Board at the Annual General Meeting in May 2021

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. 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 2021

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, 25 March 2022

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
Christian Bubenheim 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 2021 to 31 December 2021 on pages 75-77 and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 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, 25 March 2022

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 2021, an average of 28,852 shares were trading each day for an average of SEK 13,208,910 per day.

The number of shareholders at 31 December 2021 was 8,709 (9,064). 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 decreased from SEK 537 to SEK 518 in 2021. The highest closing price during the year was SEK 549 and the lowest price was SEK 394.5. Market capitalisation at 31 December 2021 was approximately SEK 10,461 million (10,448).

## Dividend policy

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

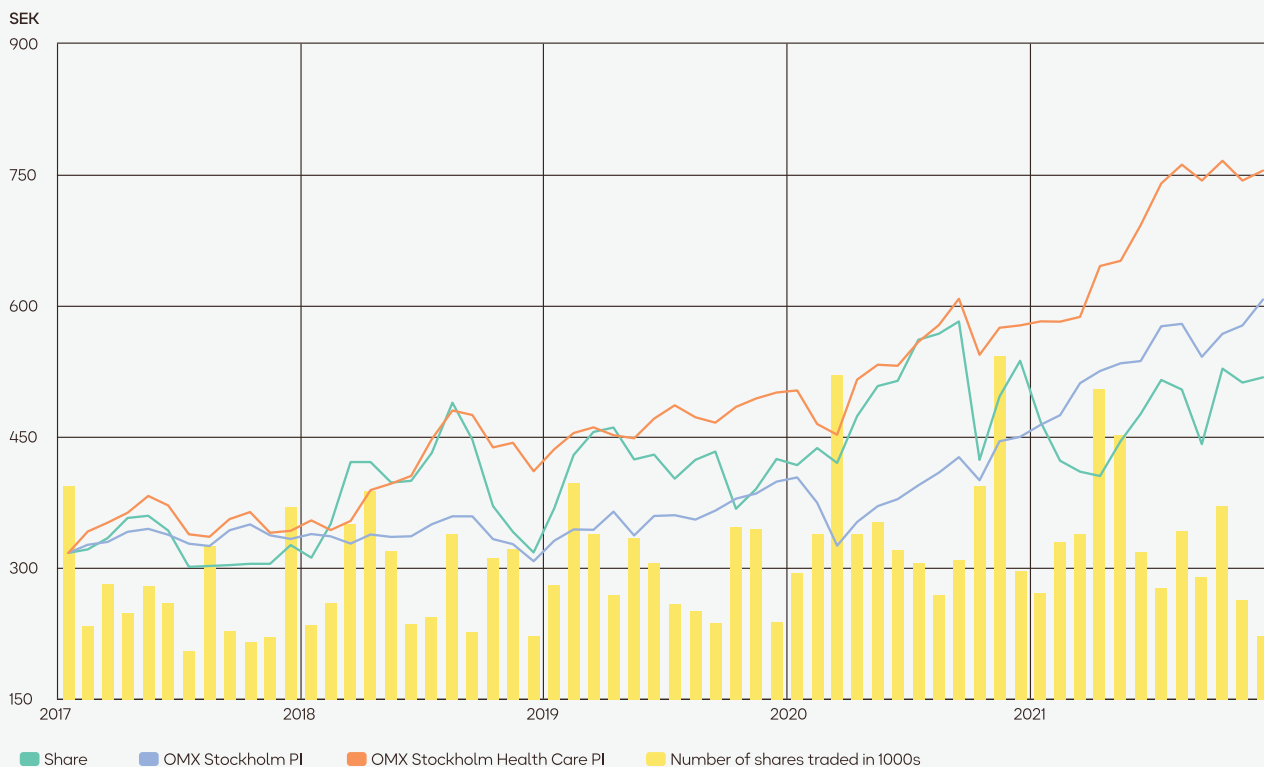
## Incentive programme

The company has an incentive programme for all employees based partly on the company's sales and profit and partly on qualitative targets. The maximum bonus is equal to 12% of annual salary. In addition to this programme, BioGaia has also implemented a subscription warrants programme as resolved by the 2021 Annual General Meeting.

## Distribution of ownership

Number of shares	Total number of shareholders	
	31 Dec 2021	31 Dec 2020
1-500	7,762	8,088
501-1,000	463	456
1,001-5,000	325	339
5,001-10,000	48	61
10,001-15,000	22	26
15,001-20,000	11	14
20,001-	78	80
Total number of shareholders:	8,709	9,064

## The BioGaia share



## Largest shareholders in BioGaia at 31 December 2021 (source: Monitor)

	A shares	B shares	Share capital, %	Votes, %
Anwall & Rothschild Investments AB	740,668	100,000	4.2%	27.9%
EQT		1,625,000	8.0%	6.0%
Fjärde AP-fonden		1,624,000	8.0%	6.0%
Premier Miton Investors		1,335,044	6.6%	5.0%
Handelsbanken Fonder		1,215,393	6.0%	4.5%
TIN Fonder		668,835	3.3%	2.5%
Cargill Inc		600,000	3.0%	2.2%
Tredje AP-fonden		466,909	2.3%	1.7%
AMF Pension & Fonder		403,197	2.0%	1.5%
Juno Investment Partners		371,038	1.8%	1.4%
Other shareholders		11,046,378	54.7%	41.1%
<b>Total</b>	<b>740,668</b>	<b>19,455,794</b>	<b>100%</b>	<b>100%</b>

## 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 <sup>1)</sup>	2,860,000	2,860,000	20,196,462	740,668	19,455,794	1.00	1,144,000,000

<sup>1)</sup> Excluding underwriting costs

# Executive management



## Top row from left

### Angelika Kjelldorff,

Vice President Human Resources Born in 1969. BSc in Human Resources Stockholm University. Employed by the company since 2019. Holds 500 B shares.

### Linda Hägglund

Vice President Marketing. Born in 1973. Master in Economics and Business Administration from Umeå University. Employed by the company since 2020. Holds 38 B shares. Warrants 3,000

### Gianfranco Grompone

Vice President Research and Development. Born in 1975. PhD in Microbiology, Cell and Molecular Biology and Engineer from ENSAR, France. Employed by the company since 2020. Holds 0 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. Holds 3,133 B shares. Warrants 32,250.

### Sebastian Heimfors

Vice President BioGaia Digital. Born in 1974. Employed by the company since 2021. Holds 0 shares.

### Jens Velling

Chief Operating Officer. Born in 1961. MSc Chemistry/Biotechnology from the Technical University of Denmark and BBA in Financial Management from the Copenhagen Business School. Employed by the company since 2021. Holds 0 shares.

## Bottom row from left

### 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. Warrants 2,000.

### Marika Isberg

Vice President Corporate Governance (Legal, Regulatory and Sustainability). Born in 1973. Degree of Master of Laws and BSc in Economics. Employed by the company since 2016. Holds 40 B shares. Warrants 10,000.

### Alexander Kotsinas

Chief Financial Officer. 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. Warrants 33,000.

### 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. Warrants 4,500.



# Board of Directors



**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 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: The Feinstein Institute for Medical Research, 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. MSc 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, MSc 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 board assignments: Bygghemma Group. Holds 0 shares.



**Christian Bubenheim** Born in 1965. Elected to the Board in 2021. Master of Engineering and Economics from the University of Applied Sciences in Munich, Germany. Has spent half of his career in the United States holding executive positions at, among other companies, Apple, Intel Mobile, Magellan GPS, Amazon Europe and Scout24. Advisor and investor since 2018. Chairman of the Board for KfzTeile 24 and 2Ifuture (nonprofit organisation). Other board assignments: BHG Group, Dunlop Protective Footwear. Holds 1,525 B shares as well as call options.



**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.



**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 senior positions within Kraft Foods in Sweden and internationally, including CEO of Kraft Foods Nordic for many years. Electra Gruppen AB (chairman). Holds 0 shares.



**Anthon 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 senior 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.

### *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 is an innovative Swedish healthcare company and has been a world-leader in food supplements with probiotics for 32 years. The products are based mainly on different strains of *L. reuteri* and are sold by distribution partners in more than 100 countries

# BioGaia®

Kungsbroplan 3 | Box 3242 112 27 Stockholm | Tel 08 555 293 00 | [info@biogaia.se](mailto:info@biogaia.se)  
Press [isabelle.ducellier@biogaia.com](mailto:isabelle.ducellier@biogaia.com) | Investor Relations [alexander.kotsinas@biogaia.com](mailto:alexander.kotsinas@biogaia.com)