

Interim Management Statement

JANUARY – MARCH 2020





FIRST QUARTER 2020

Net sales amounted to SEK 182.8 million (171.3), an increase of 7% (excluding foreign exchange effects, 4%). Product sales, net sales excluding royalty revenues, amounted to SEK 177.0 million (164.5), an increase of 8% (excluding foreign exchange effects, 5%).

Net sales in the Paediatrics segment reached SEK 142.5 million (133.6), an increase of 7%. Product sales within Paediatrics amounted to SEK 139.3 million (128.1), an increase of 9%.

Net sales in the Adult Health segment amounted to SEK 40.2 million (37.6), an increase of 7%.

Operating expenses amounted to SEK 77.4 million (78.0), a decrease of 1%.

Operating profit rose 20% to SEK 55.6 million (46.4), which corresponds to an operating margin of 30% (27%).

Profit after tax was SEK 41.7 million (35.6), an increase of 17%.

Earnings per share amounted to SEK 2.41 (2.06). No dilutive effects arose.

Cash flow amounted to SEK 67.4 million (29.3).

Key events in the first quarter of 2020

On 11 February 2020, BioGaia announced that a randomised, double-blind, placebo-controlled trial showed that supplementation of *L. reuteri* Prodentis significantly reduced bleeding of the gums compared to placebo.

On 16 March 2020, BioGaia announced that BioGaia has signed an agreement with ETHICAL NUTRITION for the exclusive rights to sell BioGaia Protectis drops and BioGaia Protectis tablets in Argentina.

On 30 March, BioGaia announced that BioGaia has taken a number of precautions due to the Covid-19 pandemic and that to date the impact on operations has been limited.

Key events after the end of the first quarter

On 3 April, BioGaia announced that BioGaia's Board of Directors has decided to revise the dividend proposal ahead of the Annual General Meeting on 7 May 2020 as a consequence of the increased uncertainty related to the global spread of the coronavirus. The revised proposal implies that the ordinary dividend of SEK 3.75 per share remains in place while the previously proposed extra dividend of SEK 4.25 per share is withdrawn. The Board intends to revisit the matter of a possible extra dividend and in such case hold an extraordinary general meeting later in the year once a better overview has been obtained regarding the effects of the Covid-19 pandemic.

On 7 April, BioGaia announced that the Annual General Meeting will be held on Thursday, 7 May 2020 at 16.00 CET in the Swedish Society of Medicine's premises. Against the background of the coronavirus, BioGaia does not want shareholders to physically attend this year's AGM. BioGaia therefore urges all shareholders to carefully consider using the opportunity to be represented by proxy or to vote in advance.



	Jan-Mar 2020	Jan-Mar 2019
Net sales, SEK 000s	182,808	171,257
Growth in net sales	7%	9%
Operating profit, SEK 000s	55,619	46,439
Operating margin	30%	27%
Profit after tax, SEK 000s	41,748	35,390
Profit margin	30%	27%
Number of shares, thousands ¹⁾	17,336	17,336
Earnings per share, SEK ¹⁾²⁾	2.41	2.06
Equity per share, SEK ¹⁾	31.54	31.18
Equity/assets ratio	76%	77%
Average number of employees	155	144

1) No dilutive effects arose.

2) Key ratio defined according to IFRS.

This information is information that BioGaia AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the CEO, on 7 May 2020, at 08.00 CET.



BioGaia AB (publ.) Interim Management Statement 1 January– 31 March 2020

The Board of Directors and the CEO of BioGaia AB hereby present the interim management statement for the period 1 January – 31 March 2020.

CEO'S COMMENTS

The first quarter of 2020 has been marked by the Covid-19 pandemic and its impact on the world at large as well as on us at BioGaia. Our main aim has been to protect our employees and our business from possible negative consequences. At the beginning of March, we introduced a ban on international flights and attendance at large gatherings for all employees, as well as a strict quarantine policy. Just a few days later, we closed all our offices and all employees who were able to work from home could do so. At BioGaia Production, our own production facility in Eslöv, Sweden, manufacturing has so far taken place without disruption. Both for the safety of our workforce and to secure deliveries, hygiene and cleaning routines have been further extended and a visitor ban introduced. So far, BioGaia's external suppliers have not experienced any major disruptions since they are all manufacturers of pharmaceuticals and are therefore exempt from any closure requirements.

We have had a close and continuous dialogue with our distribution partners all over the world. BioGaia's products are mainly sold via pharmacies and online to consumers. So far, this distribution has functioned satisfactorily although there are challenges with logistics. We have been forced to adapt to the current situation and to change how we work with marketing and sales. For example, we have not participated in international fairs and symposia since these have been cancelled. Instead, we have focused more on supporting our partners with marketing material that can be used online. Furthermore, we have not been able to visit customers face-to-face but have worked with telephone and video meetings. Despite these challenges, we have succeeded in maintaining good sales of our products even though sales have been affected in some countries.

Our research and development work has remained relatively unaffected but we see that some studies being conducted have been delayed due to Covid-19.

The Group's net sales totalled SEK 182.8 million (171.3) which is an increase of 7% compared to the first quarter of the previous year. Net sales for the Paediatrics segment amounted to SEK 142.5 million (133.6), an increase of 7%. Net sales for the Adult Health segment reached SEK 40.2 million (37.6), an increase of 7%. Operating profit increased by 20% to SEK 55.6 million (46.4), which corresponds to an operating margin of 30% (27%).

Sales in EMEA increased by 14%, which was mainly due to higher sales in the Paediatrics segment primarily in Poland, Germany and Rumania. In APAC, sales decreased by 6% primarily in Japan and South Korea which was partly offset by sales in Hong Kong. The decrease in Japan is partly due to accrual of individual orders and partly to delivery problems. In the Americas, sales decreased by 3%. The decrease is mainly due to accrual of individual orders to the USA while sales in Brazil and Canada increased. It is particularly gratifying that we continue to grow sales of our own brand and that we can see increased demand for Osfortis.

In February, a study was published which showed that supplementation with *L. reuteri* Prodentis significantly reduced bleeding of the gums compared to placebo. The study's principal investigator, Professor Schlagenhaut at the Würzburg University Hospital in Germany, concludes that supplementation with *L. reuteri* Prodentis is an effective and easy way to maintain or improve periodontal health.

Regardless of how the Covid-19 pandemic develops, the situation will require that we continue to adapt during the year in order to meet the challenges it brings. We are convinced that our products play a key role in these times as well and we will do everything in our power to make them available globally and to minimise the possible adverse effects of the pandemic on our business.



Isabelle Ducellier
President and CEO of BioGaia
7 May 2020



Teleconference: Investors, analysts and the media are invited to take part in a teleconference on the interim management statement to be held today 7 May 2020 at 9:30 CET with CEO Isabelle Ducellier and CFO Alexander Kotsinas. To participate in the teleconference, please see [Financialhearings.com](https://www.biogaia.com/financialhearings) for telephone numbers. The teleconference can also be followed [here](#).



Revenue

	Quarter 1 2020	Quarter 1 2019	Change %
Paediatrics	142.5	133.6	7%
Adult Health	40.2	37.6	7%
Other	0.1	0,0	
Total	182.8	171.3	7%

	Quarter 1 2020	Quarter 1 2019	Change %
APAC	32.5	34.6	-6%
EMEA	118.0	103.4	14%
Americas	32.4	33.2	-3%
Total	182.8	171.3	7%

SALES FIRST QUARTER

Figures in parentheses refer to the corresponding period last year. Consolidated net sales amounted to SEK 182.8 million (171.3) which is an increase of SEK 11.6 million (7%) (excluding foreign exchange effects, 4%) compared to the first quarter of last year. Product sales increased by 8% (excluding foreign exchange effects, 5%) while royalty revenues decreased by 13%. In the past 12-month period, sales increased by 3%.

Sales in EMEA amounted to SEK 118.0 million (103.4), an increase of 14%, which is mainly due to higher sales in the Paediatrics segment, primarily in Poland, Germany and Rumania.

Sales in APAC amounted to SEK 32.5 million (34.6), a decrease of 6%. The decrease was attributable to the Adult Health segment while Paediatrics increased. In the Adult Health segment the main sales decrease was in Japan and South Korea which was partly offset by Hong Kong. The decrease in Japan was partly due to accrual of individual orders and partly to delivery problems.

Sales in the Americas totalled SEK 32.4 million (33.2), a decrease of 3%. The decrease was attributable to the Paediatrics segment while Adult Health increased. The decrease in Paediatrics was mainly due to accrual of individual orders to the USA while sales in Brazil and Canada increased. The increased sales within Adult Health were mainly due to the USA and to favourable sales of BioGaia Protectis and BioGaia Osfortis.

NET SALES BRIDGE FIRST QUARTER

	SEKm	%
2019	171.3	
Foreign exchange	5.5	3%
Organic growth	6.1	4%
Total change	11.6	7%
2020	182.8	



Paediatrics



The Paediatrics segment accounts for approximately 78% of BioGaia’s total sales. BioGaia Protectis drops remain the largest product with sales in some 90 countries. Other key products within Paediatrics include BioGaia Protectis drops with vitamin D, oral rehydration solution and tablets as well as cultures to be used as ingredients in licensee products (such as infant formula) and royalty revenues for paediatric products.

- Sales increased by 7%
- Product sales increased by 9%

	Quarter 1 2020	Quarter 1 2019	Change %
Products	139.3	128.1	9%
Royalties	3.2	5.5	-43%
Total Paediatrics	142.5	133.6	7%

SALES FIRST QUARTER

Figures in parentheses refer to the corresponding period last year. Sales in the Paediatrics segment amounted to SEK 142.5 million (133.6), an increase of 7% (excluding foreign exchange effects, 4%). Product sales in Paediatrics amounted to SEK 139.3 million (128.1), an increase of 9%. For the past 12-month period, sales increased by 2%.

Sales of BioGaia Protectis drops increased compared to the corresponding period last year. Sales rose in APAC and EMEA and fell in the Americas. In APAC, sales increased primarily in China and Vietnam and in EMEA sales increased primarily in Poland, Germany and Rumania. In the Americas, sales of drops decreased in the USA, mainly due to accrual of individual orders, while they increased in Canada and Brazil.

Sales of BioGaia Protectis tablets within Paediatrics decreased slightly compared to the corresponding period last year. The decrease was mainly due to lower sales in EMEA, primarily in Spain, Bulgaria and France, which was partly offset by increasing sales in the Americas, primarily in the USA and Brazil.



Adult Health



The Adult Health segment accounts for approximately 22% of BioGaia’s total sales. Sales mainly comprise BioGaia Protectis, BioGaia Gastrus, BioGaia Prodentis and BioGaia Osfortis as well as cultures as an ingredient in a licensee’s dairy products.

	Quarter 1 2020	Quarter 1 2019	Change %
Products	37.5	36.5	3%
Royalties	2.7	1.2	129%
Total Adult Health	40.2	37.6	7%

- Sales increased by 7%
- Product sales increased by 3%

SALES FIRST QUARTER

Figures in parentheses refer to the corresponding period last year. Sales in the Adult Health segment amounted to SEK 40.2 million (37.6), an increase of 7% (excluding foreign exchange effects, 4%). Product sales amounted to SEK 37.5 million (36.5), an increase of 3% (excluding foreign exchange effects, 0%). In the past 12-month period, sales increased by 10%.

Sales of BioGaia Protectis tablets decreased compared to the corresponding period last year. Sales decreased in APAC, mainly in Japan, while they rose in EMEA and the Americas. Sales increased in EMEA primarily in Belgium and Italy. In the Americas, sales increased primarily in Chile.

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

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



Earnings

FIRST QUARTER

Gross margin

Figures in parentheses refer to the corresponding period last year. The total gross margin for the quarter was 73% (73%). The gross margin for the Paediatrics segment amounted to 73% (73%). The gross margin for the Adult Health segment amounted to 70% (70%).

Operating expenses and operating profit

Operating expenses amounted to SEK 77.4 million (78.0), a decrease of SEK 0.6 million. Excluding other operating expenses, operating expenses increased by 8%.

Selling expenses amounted to SEK 44.6 million (40.7), an increase of 10%, mainly due to a higher number of employees which was partly offset by reduced marketing activities due to Covid-19.

R&D expenses amounted to SEK 28.2 million (26.9), an increase 5%. R&D expenses include costs for the subsidiaries MetaboGen AB and BioGaia Pharma AB of SEK 5.8 million (4.8). The increase in R&D expenses, excluding costs for MetaboGen AB and BioGaia Pharma AB, are mainly attributable to an increased number of employees.

Administrative expenses amounted to SEK 7.3 million (6.6), an increase of 9%.

Other operating expenses refers to exchange losses/gains in receivables and liabilities of an operating nature and amounted to SEK -2.7 million (3.7).

Operating profit amounted to SEK 55.6 million (46.4), an increase of 20%. The operating margin amounted to 30% (27%).

Profit after tax and earnings per share

Profit after tax amounted to SEK 41.7 million (35.6), an increase of 17%. The effective tax rate was 25% (23%).

Earnings per share amounted to SEK 2.41 (2.06). No dilutive effects arose.

Balance sheet and cash flow

BALANCE SHEET 31 MARCH 2020

Total assets amounted to SEK 717.4 million (705.6). Investments in both property, plant and equipment and intangible assets increased compared to the previous period. Investments mainly related to 2019 and BioGaia Production. Since year-end 2019, current assets, particularly trade receivables, decreased while current liabilities increased.

CASH FLOW FIRST QUARTER

Cash flow amounted to SEK 67.4 million (29.3). The increase is partly due to an improved operating profit but mainly due to a positive change in working capital of SEK 25.6 million (5.7). Inventories are relatively unchanged while a decrease in other current assets and an increase in current receivables made a positive contribution to the change in working capital.

Investments in property, plant and equipment amounted to SEK 4.3 million (4.9). Depreciation amounted to SEK 4.7 million (3.7).

Cash and cash equivalents at 31 March 2020, amounted to SEK 284.1 million (315.1 at 31 March 2019).



Other disclosures

EMPLOYEES

The number of employees in the Group totalled 158 at 31 March 2020 (144 at 31 March 2019).

The company has an incentive programme for all employees based on the company's sales and profit. The maximum bonus is equal to 12% of salary. Some of the bonus (a maximum of one-third) relates to a long-term incentive programme where the employee is required to reinvest the yearly paid-out compensation (after tax) in BioGaia class B shares and hold these for at least three years.

FUTURE OUTLOOK

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

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.

BioGaia's dividend policy is to pay a shareholder dividend equal to 40% of profit after tax.

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

SIGNIFICANT RISKS AND UNCERTAINTIES, GROUP AND PARENT COMPANY

Significant risks and uncertainties are described in the administration report of the annual report for 2019 on pages 43 and 44 and in Notes 27 and 28. No significant changes in these risks and uncertainties are assessed to have taken place at 31 March 2020 except for the impact of the Covid-19 pandemic which is set out below.

The first quarter of 2020 has been marked by the Covid-19 pandemic and its impact on the world at large and on BioGaia.

So far, BioGaia's external suppliers have not experienced any major disruptions from the pandemic. BioGaia has a close and continuous dialogue with its distribution partners all over the world. BioGaia's products are mainly sold via pharmacies and online to consumers. So far, this distribution has functioned satisfactorily although there are challenges with logistics. BioGaia has been forced to adapt to the current situation and to change how BioGaia works with marketing and sales. For example, BioGaia has not taken part in international fairs and symposia but has instead focused more on supporting its partners with marketing material that can be used online. Furthermore, BioGaia has not been able to visit customers face-to-face but has used telephone and video meetings.

BioGaia has a strong financial position but a prolonged pandemic can even have a negative impact on a stable company such as BioGaia. A deterioration in the financial position and ability to pay of our distribution partners can lead to longer payment times but also credit losses. Furthermore, disruptions in BioGaia's production, at external suppliers or in logistics can result in BioGaia being unable to deliver products with an ensuing loss of revenue. Depending on how drawn-out this pandemic becomes, there is a risk that 2020 will be a challenging year.

RELATED PARTY TRANSACTIONS

The Parent Company owns 100% of the shares in BioGaia Biologics Inc. USA, BioGaia Japan Inc, BioGaia Production AB, CapAble AB and Tripac AB. The Parent Company also owns 96% of the shares in BioGaia Pharma AB and 92% of the shares in MetaboGen AB.

Annwall & Rothschild Investment AB owns 740,668 class A shares and 229,332 class B shares, corresponding to 5.6% of the share capital and 31.8% of the voting rights in BioGaia AB. Annwall & Rothschild Investment AB is owned by Peter Rothschild and Jan Annwall. Peter Rothschild is Chairman of the Board of BioGaia AB and receives a director's fee of SEK 600 thousand per year. During the quarter, Peter Rothschild received additional remuneration for significant working duties, in addition to his assignment on the Board, of SEK 105 thousand per month in accordance with the decision of the Annual General Meeting and the Board of Directors.

KEY EVENTS IN THE FIRST QUARTER OF 2020

Launches in the first quarter of 2020

Distributor	Country	Product
Cube	Greece	BioGaia Prodentis lozenges mint
JHealth	Hong Kong	BioGaia Protectis tablets with a new flavour (strawberry)
JHealth	Hong Kong	BioGaia Protectis drops with vitamin D, easydropper
Delta Medical	Russia	BioGaia Protectis drops with vitamin D
BG Distribution	Hungary	BioGaia Protectis drops, easydropper
Abbott	Bolivia	BioGaia Protectis drops with vitamin D
Nestlé	Mexico	B. lactis drops
Nestlé	Chile	B. lactis drops
Abbott	Peru	BioGaia Gastrus

Study published with BioGaia Prodentis. On 11 February 2020, BioGaia announced that a randomised, double-blind, placebo-controlled study showed that supplementation with *L. reuteri* Prodentis significantly reduced bleeding of the gums compared to placebo.

BioGaia signs exclusive agreement in Argentina. On 16 March 2020, BioGaia announced that BioGaia has signed an agreement with ETHICAL NUTRITION for the exclusive rights to sell BioGaia Protectis drops and BioGaia Protectis tablets in Argentina.

Update concerning the Covid-19 pandemic. On 30 March, BioGaia announced that BioGaia has taken a number of precautions due to Covid-19 and that the impact on its operations has been limited.



KEY EVENTS AFTER THE FIRST QUARTER OF 2020

Revised dividend proposal. On 3 April, BioGaia announced that BioGaia's Board of Directors had decided to revise the dividend proposal ahead of the Annual General Meeting on 7 May 2020 as a consequence of the increased uncertainty related to the global spread of the coronavirus. The revised proposal implies that the ordinary dividend of SEK 3.75 per share remains in place while the previously proposed extra dividend of SEK 4.25 per share is withdrawn. The Board intends to revisit the matter of a possible extra dividend and in such case hold an extraordinary general meeting later in the year once a better overview has been obtained regarding the effects of the Covid-19 pandemic.

On 7 April, BioGaia announced that the Annual General Meeting will be held on Thursday, 7 May at 16.00 CET in the Swedish Society of Medicine's premises. Against the background of the coronavirus, BioGaia does not want shareholders to physically attend this year's AGM. BioGaia therefore urges all shareholders to carefully consider using the opportunity to be represented by proxy or to vote in advance.

Accounting policies

In all material respects, this interim management statement has been prepared in accordance with Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim management statement. The accounting policies applied in the consolidated statements of comprehensive income and financial position are consistent with the accounting policies applied in preparation of the most recent annual report.

The financial statements and segment information are consistent with the presentation used in the interim reports presented in compliance with IAS 34, in order to achieve comparability in presentation between quarters. The interim management statement contains, among other things, comments from the CEO, although this is not required according to Nasdaq OMX Stockholm's Guidelines for preparing interim management statements. This information is nonetheless considered important in meeting the users' needs.

NEW ACCOUNTING STANDARDS

Management's assessment is that new and amended standards and interpretations will not have a material effect on the Group's financial statements for the period of initial application.


CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in SEK 000s)

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr 2019 - Mar 2020	Apr 2018 - Mar 2019
Net sales (Note 1)	182,808	171,257	768,347	779,898	756,482
Cost of sales	-49,802	-46,845	-204,349	-207,306	-191,922
Gross profit	133,006	124,412	563,998	572,592	564,560
Selling expenses	-44,575	-40,679	-184,327	-188,223	-163,677
Administrative expenses	-7,269	-6,640	-24,609	-25,238	-28,573
Research and development expenses	-28,248	-26,911	-105,051	-106,388	-107,248
Share of profits of associates	-	-	-	-	-
Revaluation of former associate shareholding *	-	-	-	-	7,004
Other operating expenses/operating income	2,705	-3,743	-7,500	-1,052	-4,419
Operating profit	55,619	46,439	242,511	251,691	267,647
Interest income	16	118	416	314	759
Financial expenses	-202	-243	-668	-627	-608
Profit before tax	55,433	46,314	242,259	251,378	267,798
Tax	-13,685	-10,724	-55,001	-57,962	-61,018
Profit for the period	41,748	35,590	187,258	193,416	206,780
Items that may be subsequently reclassified to profit or loss					
Gains/losses arising on translation of the statements of foreign operations	-2,858	-222	415	-2,221	-87
Comprehensive income for the period	38,890	35,368	187,673	191,195	206,693
Profit for the period attributable to:					
Owners of the Parent Company	41,748	35,697	187,347	193,481	207,065
Non-controlling interests	-	-107	-89	-65	-285
	41,748	35,590	187,258	193,416	206,780
Comprehensive income for the period attributable to:					
Owners of the Parent Company	38,890	35,475	187,762	191,260	206,978
Non-controlling interests	-	-107	-89	-65	-285
	38,890	35,368	187,673	191,195	206,693
Earnings per share					
Earnings per share (SEK) *)	2.41	2.06	10.81	11.16	11.54
Number of shares (thousands)	17,336	17,336	17,336	17,336	17,336
Average number of shares (thousands)	17,336	17,336	17,336	17,336	17,336

*) Figures for April 2018-March 2019, excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.


CONSOLIDATED BALANCE SHEETS

Summary (Amounts in SEK 000s)	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Property, plant and equipment	130,769	108,820	128,747
R&D projects in progress	51,999	45,850	52,558
Goodwill	5,300	5,300	5,300
Right-of-use assets	18,515	23,127	20,295
Deferred tax assets	6,684	8,151	6,518
Other non-current receivables	48	44	44
Total non-current assets	213,315	191,292	213,462
Current assets excl. cash and cash equivalents	219,954	199,167	238,607
Cash and cash equivalents	284,135	315,121	213,831
Total current assets	504,089	514,288	452,438
TOTAL ASSETS	717,404	705,580	665,900
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	546,762	540,457	507,872
Non-controlling interests	2	3,032	2
Total equity (Note 2)	546,764	543,489	507,874
Deferred tax liability	10,339	6,679	10,339
Non-current liabilities	21,347	16,256	22,887
Current liabilities	138,954	139,156	124,800
TOTAL LIABILITIES AND EQUITY	717,404	705,580	665,900

Other current liabilities include forward exchange contracts with a fair value of SEK 9.7 million (2.5). All forward exchange contracts are attributable to level 2 of the fair value hierarchy. No changes with regard to measurement have taken place compared to the 2019 Annual Report. The fair values of other receivables, cash and cash equivalents, trade payables and other liabilities are estimated to be equal to their carrying amounts (amortised cost) due to the short maturity.

CONSOLIDATED CASH FLOW STATEMENTS

Summary (Amounts in SEK 000s)	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Operating activities			
Operating profit	55,619	46,439	242,511
Depreciation/amortisation	4,720	3,746	15,593
Unrealised gains/losses on forward contracts	7,217	3,449	5,085
Other non-cash items	-2,107	-363	-2,010
Paid tax	-17,406	-23,011	-72,292
Interest received and paid	-186	-7	-253
Cash flow from operating activities before changes in working capital	47,857	30,253	188,634
Changes in working capital	25,601	5,651	-40,779
Cash flow from operating activities	73,458	35,904	147,855
Acquisition of property, plant and equipment	-4,337	-4,919	-32,316
Acquisition of intangible assets	-	-	-6,708
Cash flow from investing activities	-4,337	-4,919	-39,024
Dividend	-	-	-173,365
Repayment of lease liability	-1,747	-1,693	-4,525
Provision to the Foundation to Prevent Antibiotic Resistance	-	-	-3,200
Cash flow from financing activities	-1,747	-1,693	-181,090
Cash flow for the period	67,374	29,292	-72,259
Cash and cash equivalents at the beginning of the period	213,831	284,962	284,962
Exchange differences in cash and cash equivalents	2,930	867	1,128
Cash and cash equivalents at the end of the period	284,135	315,121	213,831


NOTE 1 REPORTING BY SEGMENT - GROUP

Executive Management has analysed the Group's internal reporting system and established that the Group's operations are governed 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 revenues for paediatric products.)
- **ADULT HEALTH SEGMENT** (gut health tablets, oral health lozenges and cultures as an ingredient in a licensee's dairy products as well as royalty revenues for Adult Health products).
- **OTHER SEGMENT** (smaller segments such as revenue from packaging solutions).

For the above segments BioGaia reports revenue and gross profit, which are monitored regularly by the CEO (who is regarded as the chief operating decision maker) together with the Executive Management. There is no monitoring of the company's total assets against the segments' assets.

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019	Apr 2019 - Mar 2020	Apr 2018 - Mar 2019
REVENUE BY SEGMENT					
Paediatrics	142,491	133,612	600,090	608,969	598,334
Adult Health	40,181	37,645	167,321	169,857	154,890
Other	137	0	937	1,074	3,258
Total	182,808	171,257	768,347	779,899	756,482
GROSS PROFIT BY SEGMENT					
Paediatrics	104,613	98,186	445,676	452,103	450,990
Adult Health	28,257	26,226	117,385	119,416	110,478
Other	137	0	937	1,074	3,092
Total	133,007	124,412	563,998	572,593	564,560
Selling, administrative and R&D expenses	-80,092	-74,230	-313,987	-319,849	-299,498
Share of profits of associates	-	0	-	-	-
Revaluation of former associate shareholding	-	0	-	-	7,004
Other operating expenses	2,705	-3,743	-7,500	-1,052	-4,419
Operating profit	55,619	46,439	242,511	251,692	267,647
Net financial items	-186	-125	-252	-313	151
Profit before tax	55,433	46,314	242,259	251,379	267,798
SALES BY GEOGRAPHICAL MARKET					
APAC					
Paediatrics	16,927	14,017	72,991	75,901	56,018
Adult Health	15,465	20,624	103,839	98,680	89,300
Other	64	0	129	193	135
Total APAC	32,456	34,641	176,960	174,774	145,453
EMEA					
Paediatrics	96,653	87,460	346,536	355,729	377,029
Adult Health	21,279	15,959	52,229	57,549	60,040
Other	57	0	807	864	3,117
Total EMEA	117,989	103,419	399,573	414,142	440,186
AMERICAS					
Paediatrics	28,911	32,135	180,562	177,338	165,287
Adult Health	3,437	1,062	11,252	13,627	5,550
Other	16	0	0	16	6
Total Americas	32,364	33,197	191,814	190,981	170,843
Total	182,808	171,257	768,347	779,898	756,482



DATE OF RECOGNITION PERFORMANCE OBLIGATIONS MET ON SPECIFIC DATE (PRODUCT SALES)	Jan-Mar	Jan-Mar	Jan-Dec
	2020	2019	2019
Paediatrics	139,329	128,063	585,090
Adult Health	37,499	36,475	157,811
Other	137	0	129
Total	176,965	164,538	743,030
PERFORMANCE OBLIGATIONS MET OVER TIME (ROYALTY)			
Paediatrics	3,162	5,549	15,000
Adult Health	2,682	1,170	9,509
Other	0	0	807
Total	5,844	6,719	25,317
Total	182,808	171,257	768,347

NOTE 2 SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in SEK 000s)	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Opening balance	507,874	508,121	508,121
Remeasurement under IFRS 9	-	-	-
Opening balance after change of accounting standard	507,874	-	508,121
Dividend	-	-	-173,365
Provision to the Foundation to Prevent Antibiotic Resistance	-	-	-3,200
Non-controlling interests related to the acquisition of MetaboGen and CapAble	-	-	89
Transaction between owners related to further acquisition of shares in MetaboGen	-	-	-11,444
Comprehensive income for the period	38,890	35,368	187,673
Closing balance	546,764	543,489	507,874

LARGEST SHAREHOLDERS AT 31 MARCH 2020 (SOURCE: EUROCLEAR)

	A shares 000s	B shares 000s	Share capital SEK 000s	No. of votes 000s	Capital %	Votes %
1 Anwall & Rothschild Inv. AB	741	229	970	7,636	5.6%	31.8%
2 State Street Bank & Trust co		1,502	1,502	1,502	8.7%	6.3%
3 Fjärde AP-fonden		1,496	1,496	1,496	8.6%	6.2%
4 Swedbank Robur fonder		1,305	1,305	1,305	7.5%	5.4%
5 Öhman Bank S.A		948	948	948	5.5%	3.9%
6 BNY Mellon SA/NV (Former BNY)		661	661	661	3.8%	2.8%
7 David Dangoor		444	444	444	2.6%	1.8%
8 Banque Pictet & Cie		434	434	434	2.5%	1.8%
9 JP Morgan Chase N.A		368	368	368	2.1%	1.5%
10 Didner & Gerge Fonder AB		358	358	358	2.1%	1.5%
Other shareholders		8,850	8,850	8,850	51.0%	36.9%
Total	741	16,596	17,336	24,002	100%	100%



Consolidated key ratios

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Net sales, SEK 000s	182 808	171 257	768 347
Growth of net sales	7%	9%	4%
Operating profit, SEK 000s	55 619	46 439	242 511
Profit after tax, SEK 000s	41 748	35 590	187 258
Return on average equity	8%	7%	37%
Return on average capital employed	10%	9%	47%
Capital employed, SEK 000s	557 103	550 168	518 213
Number of shares (thousands) ¹⁾	17 336	17 336	17 336
Average number of shares (thousands)	17 336	17 336	17 336
Earnings per share, SEK ¹⁾²⁾	2,41	2,06	10,81
Equity per share, SEK ¹⁾	31,54	31,18	29,30
Equity/assets ratio	76%	77%	76%
Operating margin	30%	27%	32%
Profit margin	30%	27%	32%
Average number of employees	155	144	149

- 1) No dilutive effects arose.
 2) Key ratio defined according to IFRS.

DEFINITIONS OF KEY RATIOS

Key ratio	Definition/Calculation	Purpose
Return on equity	Profit attributable to the owners of the Parent Company in relation to 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.
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.
Earnings per share (EPS)	Profit for the period attributable to the owners of the Parent Company divided by average number of shares outstanding (definition according to IFRS).	EPS measures how much of net profit is available for payment to shareholders as dividends per share.
Operating margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	The operating margin is used to measure operational profitability.
Equity/assets ratio	Equity as a percentage of total assets.	A traditional measure 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 and leasing 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 period less sales for the corresponding period of the previous year divided by sales for the previous period.	Shows the company's realised sales growth over time.
Profit margin	Profit before tax in relation to net sales.	This key ratio makes it possible to compare profitability regardless of corporate income tax rate.

DEFINITION OF KEY RATIOS, CONTINUED

(Amounts in SEK 000s)

	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
RETURN ON AVERAGE EQUITY			
Profit attributable to owners of the Parent Company (A)	41,748	35,697	187,347
Equity attributable to owners of the Parent Company	546,762	540,457	507,872
Average equity attributable to owners of the Parent Company (B)	527,317	522,720	506,427
Return on equity (A/B)	8%	7%	37%
RETURN ON AVERAGE CAPITAL EMPLOYED			
Operating profit	55,619	46,439	242,511
Financial income	16	118	416
Profit before net financial items + financial income (A)	55,635	46,557	242,927
Total assets	717,404	705,580	665,900
Interest-free liabilities	-160,301	-155,412	-147,687
Capital employed	557,103	550,168	518,213
Average capital employed (B)	537,658	532,484	516,507
Return on capital employed (A/B)	10%	9%	47%



DEFINITION OF KEY RATIOS, CONTINUED

	31 Mar 2020	31 Mar 2019	31 Dec 2019
EQUITY/ASSETS RATIO			
Equity (A)	546,764	543,489	507,874
Total assets (B)	717,404	705,580	665,900
Equity/assets ratio (A/B)	76%	77%	76%
OPERATING MARGIN			
Operating profit (A)	55,619	46,439	242,511
Net sales (B)	182,808	171,257	768,347
Operating margin (A/B)	30%	27%	32%
Profit margin			
Profit before tax (A)	55,433	46,314	242,259
Net sales (B)	182,808	171,257	768,347
Profit margin (A/B)	30%	27%	32%
EQUITY PER SHARE			
Equity attributable to owners of the Parent Company (A)	546,762	540,457	507,872
Average number of shares (B)	17,336	17,336	17,336
Equity per share (A/B)	31.54	31.18	29.30

CHANGE IN SALES BY SEGMENT (INCLUDING AND EXCLUDING FOREIGN EXCHANGE EFFECTS)

	Paediatrics Jan-Mar 2020	Adult Health Jan- Mar 2020	Other Jan-Mar 2020	Total Jan-Mar 2020
<i>(Amounts in SEK 000s)</i>				
Description				
A	133,612	37,645	0	171,257
B	142,491	40,181	137	182,808
C	8,879	2,536	137	11,551
	7%	7%		7%
D	138,339	39,011		177,351
E	4,152	1,170	137	5,457
	3%	3%		3%
F	4,727	1,366	0	6,094
	4%	4%		4%

Average exchange rates	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
EUR	10.66	10.42	10.59
USD	9.67	9.17	9.46
JPY	0.0888	0.0833	0.0868

Key exchange rates on closing date	31 Mar 2020	31 Mar 2019	31 Dec 2019
EUR	11.08	10.42	10.43
USD	10.08	9.28	9.32
JPY	0.0929	0.0838	0.0853

Pledged assets and contingent liabilities <i>(Amounts in SEK 000s)</i>	GROUP	
	31 Mar 2020	31 Dec 2019
Floating charges	0	2,000
Total	0	2,000
Contingent liabilities	None	None



Calendar



🕒 09:30 CET Teleconference with CEO Isabelle Ducellier and CFO Alexander Kotsinas. To take part in the conference, please see [Financialhearings.com](https://www.biogaia.com/financialhearings.com) for telephone numbers. The teleconference can also be followed [here](#).



🕒 16:00 CET BioGaia AGM in the Swedish Society of Medicine's premises, Klara Östra Kyrkogata 10, in Stockholm



🕒 08:00 CET Interim Report 1 January – 30 June 2020



🕒 08:00 CET Interim Management Statement 1 January – 30 September 2020

Stockholm, 7 May 2020

Isabelle Ducellier
CEO

This interim management statement has not been reviewed by the company's auditors.



BIOGAIA AB

THE COMPANY

BioGaia is an innovative Swedish healthcare company and has been a world-leader in dietary supplements with probiotics for 30 years. BioGaia develops, markets and sells probiotic products with documented health benefits. The products are primarily based on different strains of the lactic acid bacterium *Lactobacillus reuteri*.

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 158 employees, of whom 131 are based in Sweden (Stockholm, Lund, Eslöv and Gothenburg), two in the USA, three in Singapore and 22 in Japan..

BUSINESS MODEL

BioGaia's business model is based on long-term collaboration with international networks within research, production and distribution.

BioGaia's revenue comes mainly from the sale to distributors of drops, tablets and capsules for gut health, oral rehydration solution (ORS), lozenges for oral health and capsules for bone health. 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 *Lactobacillus reuteri* in licensee products.

The products are sold through nutrition and pharmaceutical companies in over 100 countries worldwide.

BioGaia has patent protection for the use of specific strains of *Lactobacillus reuteri* and certain packaging solutions in all significant markets.

THE BIOGAIA BRAND

BioGaia launched its own consumer brand at the beginning of 2006. Today a number of distribution partners sell finished products under the BioGaia brand in a large number of markets. One key part of BioGaia's strategy is to increase the share of sales consisting of BioGaia-branded products. Of products (drops, tablets for gut and oral health, oral rehydration, etc.) sold in 2019, 71% (69%) were sold under the BioGaia brand including co-branding.

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 *Lactobacillus 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.

RESEARCH AND CLINICAL STUDIES

BioGaia's strains of *Lactobacillus reuteri* are some of the world's most well researched probiotics, especially in young children. To date, some 220 clinical studies using BioGaia's strains of *Lactobacillus reuteri* have been performed on more than 18,000 individuals of all ages.

Studies have been performed on:

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

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