

Interim Management Statement

JANUARY – SEPTEMBER 2020





THIRD QUARTER 2020

Net sales amounted to SEK 132.0 million (167.1), a decrease of 21% (excluding foreign exchange effects, -17%). Product sales, net sales excluding royalty revenues, amounted to SEK 125.7 million (161.9), a decrease of 22% (excluding foreign exchange effects, -18%).
 Net sales in the Paediatrics segment reached SEK 101.9 million (128.0), a decrease of 20%.
 Net sales in the Adult Health segment amounted to SEK 29.3 million (38.8) a decrease of 24%.
 Operating expenses amounted to SEK 62.5 million (72.5), a decrease of 14%.
 Operating profit fell by 45% to SEK 27.0 million (49.5), which corresponds to an operating margin of 20% (30%).
 Profit after tax was SEK 20.5 million (38.0), a decrease of 46%.
 Earnings per share amounted to SEK 1.18 (2.19). No dilutive effects arose.
 Cash flow amounted to SEK 50.3 million (51.4).
 Cash and cash equivalents at 30 September 2020 amounted to SEK 292.4 million (213.0).

Key events in the third quarter of 2020

On 10 September 2020, in light of the continued uncertainty in connection with the global spread of Covid-19, BioGaia's Board of Directors decided not to convene an Extraordinary General Meeting to decide on the previously proposed extra dividend of SEK 4.25 per share.

On 28 September 2020, BioGaia announced in a published systematic review and meta-analysis that *L. reuteri* Protectis (DSM 17938) was the only probiotic showing reduced pain intensity and an increased number of pain-free days compared to placebo, in children with functional abdominal pain (FAP).

JANUARY – SEPTEMBER 2020

Net sales amounted to SEK 559.5 million (560.7), a change of 0% (excluding foreign exchange effects, -1%). Product sales, net sales excluding royalty revenues, amounted to SEK 540.8 million (544.8), a decrease of 1% (excluding foreign exchange effects, -2%).
 Net sales in the Paediatrics segment reached SEK 443.5 million (442.7), an increase of 0.2%.
 Net sales in the Adult Health segment amounted to SEK 113.9 million (117.4), a decrease of 3%.
 Operating expenses amounted to SEK 224.1 million (235.4), a decrease of 5%.
 Operating profit increased by 5% to SEK 182.9 million (174.4), which corresponds to an operating margin of 33% (31%).
 Profit after tax was SEK 141.3 million (134.7), an increase of 5%.
 Earnings per share amounted to SEK 8.15 (7.78). No dilutive effects arose.
 Cash flow amounted to SEK 79.0 million (-75.1).
 Cash and cash equivalents at 30 September 2020 amounted to SEK 292.4 million (213.0).

Key events after the end of the third quarter

On 12 October, BioGaia announced that sales and earnings will be negatively affected in both the third and fourth quarters of 2020 by the current Covid-19 pandemic.



	Jul-Sep 2020	Jul-Sep 2019
Net sales, SEK 000s	131,961	167,144
Growth in net sales	-21%	-4%
Operating profit, SEK 000s	27,042	49,453
Operating margin	20%	30%
Profit after tax	20,483	38,042
Profit margin	20%	30%
Number of shares, thousands ¹⁾	17,336	17,336
Earnings per share, SEK ^{1) 2)}	1.18	2.19

1) No dilutive effects arose.

2) Key ratio defined according to IFRS. For definitions of other key ratios, see page 14.

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 23 October 2020, at 08.00 CET



BioGaia AB (publ.) Interim Management Statement 1 January – 30 September 2020

The Board of Directors and the CEO of BioGaia AB hereby present the interim management statement for the period 1 January – 30 September 2020.

CEO'S COMMENTS

On 12 October, BioGaia announced anticipated reduced sales and lower earnings for both the third and fourth quarters. In several of our largest markets, such as Italy and Spain, we saw reduced sales during the quarter. In these countries, as in most other countries in which BioGaia operates, medical marketing is still the main business model. Due to the Covid-19 situation, 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, the long-term lockdown in many countries has meant that consumers have had limited opportunities to visit the principal sales channels for our products – physical pharmacies, hospitals and, in Japan, dental surgeries.

On the other hand, the omnichannel strategy that we initiated for example in the USA; China and Vietnam in 2018 has proved successful. In markets where a large proportion of sales take place online, we can see that our sales to partners have been affected to a lesser extent and that sales to consumers have remained favourable. In the USA, sales to consumers have even continued to increase quarter after quarter. This has strengthened our conviction that we need to work more to support our partners in order to accelerate the transition to online sales. In the spring we made two new key appointments with a focus on digital marketing to consumers and online sales, a B2C Marketing Manager and a Global Digital Business Manager.

During the past quarter, sales-promoting activities and training have also mostly been exclusively digital. The collaboration we have built up with a large number of partners in the digital field, in Latin America for example, is very valuable both in the current situation and for the future as well. Together with various partners we now arrange regular webinars for doctors all over the world. Product launches have also been virtual. In September, for example, our distributor Grisi conducted a mainly digital and highly successful launch of BioGaia Prodentis in Mexico. We have also focused on oral health in the USA with the launch of our entire oral health portfolio with so far a very positive response from both dentists and paediatricians. Several other launches, however, have been postponed due to Covid-19.

Our assessment is that the reduced sales for the quarter to a large extent is related to Covid-19 and will not affect our long-term expectations. The global trend for preventive healthcare is strong and people are increasingly taking responsibility for their own health. There is a strong and rising interest in immune health products. We continue to work on the development of new products and continue our efforts together with our partners to strengthen BioGaia's brand in the market. As we have announced, we are also reviewing our costs in order to partly compensate for the reduction in sales.

Eight months into the biggest pandemic of our time, we can see that right now the world is changing fundamentally at an unprecedented rate. We work continuously to adapt our operations to counteract the challenges Covid-19 entails but also to be able to take advantage of the opportunities the pandemic creates.



Isabelle Ducellier
President and CEO of BioGaia
23 October 2020



Teleconference: Investors, analysts and the media are invited to take part in a teleconference on the interim report to be held today 23 October 2020 at 09:30 CET with CEO Isabelle Ducellier and CFO Alexander Kotsinas. To participate in the teleconference, please see [Financialhearings.com](https://www.financialhearings.com) for telephone numbers. The teleconference can also be followed [here](#).



Revenue

SEKm	Jul-Sep 2020	Jul-Sep 2019	Change
Paediatrics	101.9	128.0	-20%
Adult Health	29.3	38.8	-24%
Other	0.8	0.3	127%
Total	132.0	167.1	-21%

	Jan-Sep 2020	Jan-Sep 2019	Change
	443.5	442.7	0%
	113.9	117.4	-3%
	2.1	0.6	239%
Total	559.5	560.7	0%

SEKm	Jul-Sep 2020	Jul-Sep 2019	Change
EMEA	57.7	76.6	-25%
APAC	28.7	42.1	-32%
Americas	45.5	48.4	-6%
Total	132.0	167.1	-21%

	Jan-Sep 2020	Jan-Sep 2019	Change
	289.1	292.5	-1%
	116.5	121.9	-4%
	153.8	146.3	5%
Total	559.5	560.7	0%

SALES THIRD QUARTER

Figures in parentheses refer to the corresponding period last year. Consolidated net sales amounted to SEK 132.0 million (167.1) which is a decrease of SEK 35.2 (-21%) (excluding foreign exchange effects, -17%) compared to the third quarter of last year. Product sales decreased by 22% (excluding foreign exchange effects, -18%) while royalty revenues increased by 20%.

Sales in EMEA amounted to SEK 57.7 million (76.6), a decrease of 25%, which was mainly due to lower sales in the Paediatrics and Adult Health segments. Sales within Paediatrics decreased primarily in Italy and Spain which was partly offset by higher sales in Germany and France, while the decline within Adult Health was attributable to South Africa and Germany.

Sales in APAC amounted to SEK 28.7 million (42.1), a decrease of 32%. The decrease was attributable to the Paediatrics and Adult Health segments. In the Paediatrics segment, sales decreased primarily in China, South Korea and Vietnam. The decrease in China was mainly attributable to accrual of individual orders. In the Adult Health segment, sales decreased primarily in China and Hong Kong.

Sales in the Americas totalled SEK 45.5 million (48.4), a decrease of 6%, which was due to lower sales in the Paediatrics and Adult Health segments. The lower sales in both segments were mainly attributable to the USA and Mexico. In the USA, the decrease was mainly due to accrual of individual orders.

NET SALES BRIDGE THIRD QUARTER

SEKm		Change
2019	167.1	
Foreign exchange	-6.4	-4%
Organic growth	-28.7	-17%
2020	132.0	-21%

SALES JANUARY - SEPTEMBER

Figures in parentheses refer to the corresponding period last year. Consolidated net sales amounted to SEK 559.5 million (560.7) which is a decrease of SEK 1.3 million (-0.2%) (excluding foreign exchange effects, -1%) compared to the previous year. Product sales fell by 1% (excluding foreign exchange effects, 0%) while royalty revenues increased by 17%. Over the past 12-month period, sales decreased by 0.4%.

Sales in EMEA amounted to SEK 289.1 million (292.5), a decrease of 1%, due to lower sales within Paediatrics while Adult Health increased. The reduced sales in Paediatrics were mainly attributable to Italy, Turkey and Spain. The increased sales within Adult Health were mainly attributable to Belgium and Germany which was partly counteracted by lower sales in Finland.

Sales in APAC amounted to SEK 116.5 million (121.9), a decrease of 4%. The Adult Health segment decreased while Paediatrics increased. Sales within Adult Health decreased primarily in Hong Kong, China and South Korea. In the Paediatrics segment, sales increased primarily in China, Indonesia and Vietnam.

Sales in the Americas totalled SEK 153.8 million (146.3), an increase of 5%, which was due to higher sales within the Paediatrics and Adult Health segments. The increased sales in both segments were mainly attributable to the USA.

NET SALES BRIDGE JANUARY - SEPTEMBER

SEKm		Change
2019	560.7	
Foreign exchange	4.4	1%
Organic growth	-5.7	-1%
2020	559.5	0%



Paediatrics



The Paediatrics segment accounts for approximately 80% 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.

SEKm	Jul-Sep 2020	Jul-Sep 2019	Change
Products	98.2	124.3	-21%
Royalties	3.6	3.6	-1%
Total	101.9	128.0	-20%

	Jan -Sep 2020	Jan-Sep 2019	Change
	433.2	431.0	1%
	10.3	11.7	-12%
	443.5	442.7	0%

SALES THIRD QUARTER

Figures in parentheses refer to the corresponding period last year. Sales in the Paediatrics segment amounted to SEK 101.9 million (128.0), a decrease of 20% (excluding foreign exchange effects, -16%). Product sales in Paediatrics amounted to SEK 98.2 million (124.3), a decrease of 21%.

Sales of BioGaia Protectis drops decreased compared to the corresponding period last year. Sales decreased in APAC, EMEA and the Americas. In APAC, sales decreased primarily in China and South Korea and in the Americas sales decreased primarily in the USA and Mexico. In EMEA, sales of drops decreased in Italy and Spain which was partly offset by higher sales in Germany.

Sales of BioGaia Protectis tablets within Paediatrics increased compared to the corresponding period last year. The increase was due to higher sales in EMEA, APAC and the Americas, primarily in Bulgaria, France and Taiwan.

SALES JANUARY-SEPTEMBER

Figures in parentheses refer to the corresponding period last year. Sales in the Paediatrics segment amounted to SEK 443.5 million (442.7), an increase of 0.2% (excluding foreign exchange effects -1%). Product sales in Paediatrics amounted to SEK 433.2 million (431.0), an increase of 1%. For the past 12-month period, sales changed by 0%.

Sales of BioGaia Protectis drops decreased compared to the corresponding period last year. Sales rose in APAC and decreased in EMEA and the Americas. In APAC, sales increased primarily in China, Indonesia and Vietnam. In the Americas, sales decreased mainly in Brazil and Chile which was partly compensated by higher sales in the USA and Peru. In EMEA, sales of drops decreased mainly in Italy and Turkey while sales rose in Romania, Germany and Belgium.

Sales of BioGaia Protectis tablets within Paediatrics increased compared to the corresponding period last year. The increase was due to higher sales in APAC, primarily in Singapore and Taiwan. In EMEA, sales increased primarily in Romania and Bulgaria. Sales decreased slightly in the Americas, primarily in USA which was partly compensated by higher sales in Brazil.



Adult Health



The Adult Health segment accounts for approximately 20% 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.

SEKm	Jul-Sep 2020	Jul-Sep 2019	Change
Products	26.9	37.6	-28%
Royalties	2.4	1.3	91%
Total	29.3	38.8	-24%

	Jan-Sep 2020	Jan-Sep 2019	Change
	106.1	113.7	-7%
	7.8	3.7	113%
	113.9	117.4	-3%

SALES THIRD QUARTER

Figures in parentheses refer to the corresponding period last year. Sales in the Adult Health segment amounted to SEK 29.3 million (38.8), a decrease of 24% (excluding foreign exchange effects, -21%). Product sales amounted to SEK 26.9 million (37.6), a decrease of 28%.

Sales of BioGaia Protectis tablets increased compared to the corresponding period last year. In APAC, sales increased in Japan and Indonesia which was partly counteracted by lower sales in Hong Kong. In EMEA, sales decreased primarily in South Africa and in the Americas sales increased in Chile.

Sales of BioGaia Gastrus decreased compared to the corresponding period last year. Sales decreased primarily in APAC where the main decrease was in China and South Korea.

Sales of BioGaia Prodentis decreased compared to the corresponding period last year. Sales decreased primarily in APAC in Japan.

SALES JANUARY - SEPTEMBER

Figures in parentheses refer to the corresponding period last year. Sales in the Adult Health segment amounted to SEK 113.9 million (117.4), a decrease of 3% (excluding foreign exchange effects -4%). Product sales amounted to SEK 106.1 million (113.7), a decrease of 7%. In the past 12-month period, sales decreased by 2%.

Sales of BioGaia Protectis tablets increased compared to the corresponding period last year. Sales increased in EMEA and APAC while they fell in the Americas. Sales in EMEA increased mainly in Belgium which was partly counteracted by lower sales in Finland. In APAC, sales increased mainly in Japan and Indonesia which partly compensated for lower sales in Hong Kong.

Sales of BioGaia Gastrus decreased 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 Poland and in the Americas sales increased primarily in the USA while the decrease in sales in APAC was primarily in China.

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



Earnings

THIRD QUARTER

Gross margin

Figures in parentheses refer to the corresponding period last year. The total gross margin for the quarter amounted to 68% (73%). The gross margin for the Paediatrics segment amounted to 66% (73%). The gross margin for the Adult Health segment amounted to 72% (71%). The lower gross margin was due to lower sales of BioGaia Protectis drops and destruction of a manufacturing batch.

Operating expenses and operating profit

Operating expenses amounted to SEK 62.5 million (72.5), a decrease of SEK 10.1 million. Excluding other operating expenses (exchange losses/gains) operating expenses decreased by 19%. Selling expenses amounted to SEK 32.9 million (39.2), a decrease of 16%, mainly caused by reduced marketing activities due to Covid-19 which were partly offset by increased personnel costs resulting from a higher number of employees.

R&D expenses amounted to SEK 19.8 million (26.5), a decrease of 25%. R&D expenses include costs for the subsidiaries MetaboGen AB and BioGaia Pharma AB of SEK 5.7 million (5.3). The decrease in R&D expenses excluding costs for MetaboGen AB and BioGaia Pharma AB is mainly attributable to lower study and travel expenses due to Covid-19.

Administrative expenses amounted to SEK 5.4 million (6.1), a decrease of 10%.

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK 4.3 million (0.7).

Operating profit amounted to SEK 27.0 million (49.5), a decrease of 45%. The operating margin was 20% (30%).

Profit after tax and earnings per share

Profit after tax amounted to SEK 20.5 million (38.0), a decrease of 46%. The effective tax rate was 24% (23%).

Earnings per share amounted to SEK 1.18 (2.19). No dilutive effects arose.

JANUARY - SEPTEMBER

Gross margin

Figures in parentheses refer to the corresponding period last year. The total gross margin amounted to 73% (73%). The gross margin for the Paediatrics segment amounted to 73% (74%). The gross margin for the Adult Health segment amounted to 70% (71%).

Operating expenses and operating profit

Operating expenses amounted to SEK 224.1 million (235.4), a decrease of SEK 11.3 million. Excluding other operating expenses (exchange losses/gains) operating expenses decreased by 5%. Selling expenses amounted to SEK 122.0 million (128.7), a decrease of 5%, mainly caused by reduced marketing activities due to Covid-19 which were partly offset by increased personnel costs resulting from a higher number of employees.

R&D expenses amounted to SEK 75.0 million (81.5), a decrease of 8%. R&D expenses include costs for the subsidiaries MetaboGen AB and BioGaia Pharma AB of SEK 18.5 million (14.4). The decrease in R&D expenses excluding costs for MetaboGen AB and BioGaia Pharma AB is mainly attributable to lower study and travel expenses due to Covid-19 which were partly offset by higher personnel costs.

Administrative expenses amounted to SEK 18.9 million (17.7), an increase of 7%.

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK 8.2 million (7.4).

Operating profit amounted to SEK 182.9 million (174.4), an increase of 5%. The operating margin was 33% (31%).

Profit after tax and earnings per share

Profit after tax amounted to SEK 141.3 million (134.7) an increase of 5%. The effective tax rate was 23% (23%).

Earnings per share amounted to SEK 8.15 (7.78). No dilutive effects arose.

Parent Company

The Parent Company's net sales amounted to SEK 532.6 million (537.0) and profit before tax was SEK 135.6 million (156.8). The financial performance of the Parent Company is in all material respects in line with that of the Group.



Balance sheet and cash flow

BALANCE SHEET 30 SEPTEMBER 2020

Total assets amounted to SEK 711.9 million (638.7). Investments increased in non-current assets compared to the same period last year. Investments mainly related to BioGaia Production AB.

Since the start of the year, current assets and particularly trade receivables have decreased due to lower sales. Current liabilities have also decreased compared to the start of the year. Lower lease liabilities explain the decrease in non-current liabilities.

CASH FLOW THIRD QUARTER

Cash flow amounted to SEK 50.3 million (51.4) for the quarter.

Cash flow from operating activities decreased by SEK 5.5 million. The decrease in cash flow in operations is due to a lower operating profit while the change in working capital made a positive contribution. This is explained in particular by lower trade receivables due to lower sales.

Investments in property, plant and equipment amounted to SEK 3.0 million (6.4). Depreciation amounted to SEK 5.1 million (4.0).

Cash and cash equivalents at 30 September 2020 amounted to SEK 292.4 million (213.0).

Other disclosures

EMPLOYEES

The number of employees in the Group totalled 160 at 30 September 2020 (152 at 30 September 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 30 September 2020 except for the impact of the Covid-19 pandemic which is set out below.

The third quarter of 2020 continued to be marked by the Covid-19 pandemic and its impact on the world at large and on BioGaia. In several of our largest markets, such as Italy and Spain we saw reduced sales during the quarter. In these countries, as in most other countries in which BioGaia operates, medical marketing is still the main business model. Due to the Covid-19 situation, 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, the long-term lockdown in many countries has meant that consumers have had limited opportunities to visit the principal sales channels for our products – physical pharmacies, hospitals and, in Japan, dental surgeries. BioGaia therefore sees that sales and earnings were negatively affected in the third quarter. It is too early to express an opinion on sales and earnings for the end of 2020 but the assessment is that sales will be lower than anticipated in the fourth quarter as well.

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

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 and also credit losses. Furthermore, disruptions in BioGaia's production and at external suppliers or in logistics can result in BioGaia being unable to deliver products with an ensuing loss of revenue. Depending on how drawn-out this pandemic becomes, there is a risk of a challenging end to 2020 and start to 2021.

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 670,000 per year. During the quarter, Peter Rothschild received additional remuneration for significant working duties, in addition to his assignment on the Board, of SEK 225,000 in accordance with the decision of the Annual General Meeting and the Board of Directors. In addition, a dividend of SEK 3.75 per share was paid to Annwall & Rothschild Investment AB during the nine-month period.

KEY EVENTS IN THE THIRD QUARTER OF 2020

Launches in the third quarter 2020

Distributor	Country	Product
Phillips Pharmaceuticals	Kenya	BioGaia Gastrus
Abbott	Peru	BioGaia Protectis drops with vitamin D
Nestlé	Dominican Republic	BioGaia Protectis minipack
Nestlé	Dominican Republic	<i>B. Lactis</i> drops
Interbat	Indonesia	BioGaia Protectis tablets with new flavour (lemon)
Pemix	Malta	BioGaia Protectis ORS
Pediact	France	BioGaia Gastrus



BioGaia's Board decision regarding extra dividend. On 10 September 2020, in light of the continued uncertainty in connection with the global spread of Covid-19, BioGaia's Board of Directors decided not to convene an Extraordinary General Meeting to decide on the previously proposed extra dividend of SEK 4.25 per share.

L. reuteri Protectis reduces pain in children with functional abdominal pain. On 28 September 2020, BioGaia announced in a published systematic review and meta-analysis that L. reuteri Protectis (DSM 17938) was the only probiotic showing reduced pain intensity and an increased number of pain-free days compared to placebo, in children with functional abdominal pain (FAP).

KEY EVENTS AFTER THE END OF THE THIRD QUARTER

On 12 October, BioGaia announced that sales and earnings will be negatively affected in both the third and fourth quarters of 2020 and that BioGaia's assessment is that this is related to the Covid-19 pandemic.

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.

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

<i>(Amounts in SEK 000s)</i>	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct 2019- Sep 2020	Oct 2018 - Sep 2019
Net sales (Note 1)	131,961	167,144	559,467	560,731	768,347	767,083	770,404
Cost of sales	-42,458	-45,175	-152,513	-150,917	-204,349	-205,945	-203,009
<i>Gross profit</i>	89,503	121,969	406,954	409,814	563,998	561,138	567,395
Selling expenses	-32,911	-39,274	-121,961	-128,733	-184,327	-177,555	-174,992
Administrative expenses	-5,435	-6,052	-18,901	-17,726	-24,609	-25,784	-24,612
Research and development expenses	-19,776	-26,526	-75,029	-81,536	-105,051	-98,544	-111,358
Other operating expenses/operating income	-4,339	-664	-8,163	-7,414	-7,500	-8,249	-6,920
<i>Operating profit</i>	27,042	49,453	182,900	174,405	242,511	251,006	249,513
Interest income	37	169	109	264	416	261	905
Financial expenses	-181	-188	-562	-616	-668	-614	-820
<i>Profit before tax</i>	26,898	49,434	182,447	174,053	242,259	250,653	249,598
Tax	-6,415	-11,392	-41,184	-39,361	-55,001	-56,824	-58,372
Profit for the period	20,483	38,042	141,263	134,692	187,258	193,829	191,226
Items that may be subsequently reclassified to profit or loss							
Gains/losses arising on translation of statements of foreign operations	-311	402	-3 767	207	415	-3,559	292
Comprehensive income for the period	20,172	38,444	137,496	134,899	187,673	190,270	191,518
Profit for the period attributable to:							
Owners of the Parent Company	20,483	38,042	141,263	134,799	187,347	193,811	191,511
Non-controlling interests	-	-	-	-107	-89	18	-285
	20,483	38,042	141,263	134,692	187,258	193,829	191,226
Comprehensive income for the period attributable to:							
Owners of the Parent Company	20,172	38,444	137,496	135,006	187,762	190,252	191,803
Non-controlling interests	-	-	-	-107	-89	18	-285
	20,172	38,444	137,496	134,899	187,673	190,270	191,518
Earnings per share							
Earnings per share (SEK)	1.18	2.19	8.15	7.78	10.81	11.18	11.05
Number of shares (thousands)	17,336	17,336	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	17,336	17,336


CONSOLIDATED BALANCE SHEETS

<i>Summary (Amounts in SEK 000s)</i>	30 Sep 2020	30 Sep 2019	31 Dec 2019
ASSETS			
Property, plant and equipment	135,166	119,435	128,747
R&D projects in progress	50,881	50,222	52,558
Goodwill	5,300	5,300	5,300
Right-of-use assets	14,515	19,737	20,295
Deferred tax assets	5,040	7,616	6,518
Other non-current receivables	44	47	44
<i>Total non-current assets</i>	<i>210,946</i>	<i>202,357</i>	<i>213,462</i>
Current assets excl. cash and cash equivalents	208,536	223,368	238,607
Cash and cash equivalents	292,385	212,953	213,831
<i>Total current assets</i>	<i>500,921</i>	<i>436,321</i>	<i>452,438</i>
TOTAL ASSETS	711,867	638,678	665,900
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent Company	577,558	455,012	507,872
Non-controlling interests	2	2	2
Total equity (Note 2)	577,560	455,014	507,874
Deferred tax liability	10,339	6,679	10,339
Non-current liabilities	17,839	23,629	22,887
Current liabilities	106,129	153,356	124,800
TOTAL LIABILITIES AND EQUITY	711,867	638,678	665,900

Current assets include forward exchange contracts with a fair value of SEK 0.3 million (current liabilities SEK 2.5 million). 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

<i>Summary (Amounts in SEK 000s)</i>	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Operating activities					
Operating profit	27,042	49,453	182,900	174,405	242,511
Depreciation/amortisation	5,053	3,957	14,845	11,515	15,593
Unrealised gains/losses on forward contracts	-548	2,631	-2,816	5,085	5,085
Other non-cash items	383	-734	195	-1,381	-2,010
Paid tax	-17,117	-14,443	-51,967	-50,742	-72,292
Interest received and paid	-143	-19	-452	-352	-253
Cash flow from operating activities before changes in working capital	14,670	40,845	142,705	138,530	188,634
Changes in working capital	40,755	19,828	23,936	-7,779	-40,779
Cash flow from operating activities	55,425	60,673	166,641	130,751	147,855
Acquisition of property, plant and equipment	-2,978	-6,444	-14,084	-19,821	-32,316
Acquisition of intangible assets	-	-1,143	-	-4,372	-6,708
Cash flow from investing activities	-2,978	-7,587	-14,084	-24,193	-39,024
Dividend	-	-	-65,012	-173,365	-173,365
Repayment of lease liability	-2,117	-1,722	-5,746	-5,083	-4,525
Provision to the Foundation to Prevent Antibiotic Resistance	-	-	-2,800	-3,200	-3,200
Cash flow from financing activities	-2,117	-1,722	-73,558	-181,648	-181,090
Cash flow for the period	50,330	51,364	78,999	-75,090	-72,259
Cash and cash equivalents at the beginning of the period	242,546	160,059	213,831	284,962	284,962
Exchange differences in cash and cash equivalents	-491	1,530	-445	3,081	1,128
Cash and cash equivalents at the end of the period	292,385	212,953	292,385	212,953	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.

(Amounts in SEK 000s)	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019	Oct 2019 - Sep 2020	Oct 2018 - Sep 2019
Revenue by segment							
Paediatrics	101,854	127,965	443,497	442,712	600,090	600,875	600,693
Adult Health	29,341	38,841	113,877	117,401	167,321	163,797	166,504
Other	766	338	2,093	618	937	2,412	3,207
Total	131,961	167,144	559,467	560,731	768,347	767,084	770,404
Gross profit by segment							
Paediatrics	67,610	93,987	325,366	326,062	445,676	444,980	445,779
Adult Health	21,127	27,644	79,684	83,134	117,385	113,935	118,409
Other	766	338	1,904	618	937	2,223	3,207
Total	89,503	121,969	406,954	409,814	563,998	561,138	567,395
Selling, administrative and R&D expenses	-58,122	-71,852	-215,891	-227,995	-313,987	-301,883	-310,962
Other operating expenses	-4,339	-664	-8,163	-7,414	-7,500	-8,249	-6,920
Operating profit	27,042	49,453	182,900	174,405	242,511	251,006	249,513
Net financial items	-144	-19	-453	-352	-252	-353	85
Profit before tax	26,898	49,434	182,447	174,053	242,259	250,653	249,598
Sales by geographical market							
APAC							
Paediatrics	9,484	20,361	59,694	53,431	72,991	79,254	70,445
Adult Health	18,804	21,760	55,862	68,423	103,840	91,278	97,216
Other	429	-	982	68	129	1,043	68
Total APAC	28,717	42,121	116,538	121,922	176,960	171,575	167,729
EMEA							
Paediatrics	48,892	61,948	241,770	249,431	346,537	338,875	347,713
Adult Health	8,519	14,362	46,377	42,530	52,229	56,077	60,956
Other	311	338	948	550	807	1,205	3,139
Total EMEA	57,722	76,648	289,095	292,511	399,573	396,157	411,808
Americas							
Paediatrics	43,478	45,656	142,033	139,850	180,562	182,746	182,535
Adult Health	2,017	2,719	11,638	6,448	11,252	16,442	8,332
Other	26	-	163	-	-	163	-
Total Americas	45,521	48,375	153,834	146,298	191,814	199,351	190,867
Total	131,961	167,144	559,467	560,731	768,347	767,083	770,404



<i>Date of recognition performance obligations met on specific date (product sales)</i>	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
	2020	2019	2020	2019	2019
Paediatrics	98,248	124,337	433,193	431,007	585,090
Adult Health	26,944	37,586	106,079	113,741	157,811
Other	481	-	1,533	68	129
Total	125,673	161,923	540,805	544,816	743,030
<i>Performance obligations met over time (Royalty)</i>					
Paediatrics	3,606	3,628	10,304	11,705	15,000
Adult Health	2,397	1,255	7,798	3,660	9,509
Other	284	338	560	550	808
Total	6,287	5,221	18,662	15,915	25,317
Total	131,961	167,144	559,467	560,731	768,347

NOTE 2 SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(Amounts in SEK 000s)</i>	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Opening balance	507,874	508,121	508,121
Dividend	-65,012	-173,365	-173,365
Provision to the Foundation to Prevent Antibiotic Resistance	-2,800	-3,200	-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	-	-11,441	-11,444
Comprehensive income for the period	137,498	134,899	187,673
Closing balance	577,560	455,014	507,874

LARGEST SHAREHOLDERS AT 30 SEPTEMBER 2020 (SOURCE: EUROCLEAR)

	A shares	B shares	Share capital	No. of votes	Capital	Votes
1 Annwall & Rothschild	740,668	229,332	970,000	7,636,012	5.60%	31.81%
2 STATE STREET BANK AND TRUST CO, W9		1,603,775	1,603,775	1,603,775	9.25%	6.68%
3 FJÄRDE AP FONDEN		1,300,605	1,300,605	1,300,605	7.50%	5.42%
4 Swedbank Robur Fonder		1,138,624	1,138,624	1,138,624	6.57%	4.74%
5 BNY MELLON SA/NV (FORMER BNY), W8IMY		800,133	800,133	800,133	4.62%	3.33%
6 ÖHMAN BANK S.A.		714,876	714,876	714,876	4.12%	2.98%
7 Didner & Gerge Fonder Aktiebolag		456,998	456,998	456,998	2.64%	1.90%
8 David Dangoor		400,000	400,000	400,000	2.31%	1.67%
9 BANQUE PICTET & CIE SA, W8IMY (WITHOUT P.R.)		394,777	394,777	394,777	2.28%	1.64%
10 TIN NY TEKNIK		355,835	355,835	355,835	2.05%	1.48%
Other shareholders		9,200,839	9,200,839	9,200,839	53.07%	38.33%
Total	740,668	16,595,794	17,336,462	24,002,474	100%	100%



Consolidated key ratios

	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net sales, SEK 000s	559,467	560,731	768,347
Growth of net sales	0%	5%	4%
Operating profit, SEK 000s	182,900	174,405	242,511
Profit after tax, SEK 000s	141,263	134,692	187,258
Return on average equity	26%	28%	37%
Return on average capital employed	33%	36%	47%
Capital employed, SEK 000s	587,899	461,693	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)}	8.15	7.78	10.81
Equity per share, SEK ¹⁾	33.32	26.25	29.30
Equity/assets ratio	81%	71%	76%
Operating margin	33%	31%	32%
Profit margin	33%	31%	32%
Average number of employees	157	149	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	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 lease 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-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Return on equity			
Profit attributable to owners of the Parent Company (A)	141,263	134,799	187,347
Equity attributable to owners of the Parent Company	577,558	455,012	507,872
Average equity attributable to owners of the Parent Company (B)	542,715	479,997	506,427
Return on equity (A/B)	26%	28%	37%
Return on capital employed			
Operating profit	182,900	174,405	242,511
Financial income	109	264	416
Profit before net financial items + financial income (A)	183,009	174,669	242,927
Total assets	711,867	638,678	665,900
Interest-free liabilities	-123,968	-176,985	-147,687
Capital employed	587,899	461,693	518,213
Average capital employed (B)	553,056	488,247	516,507
Return on capital employed (A/B)	33%	36%	47%



DEFINITION OF KEY RATIOS, CONTINUED

(Amounts in SEK 000s)

	30 Sep 2020	30 Sep 2019	31 Dec 2019
Equity/assets ratio			
Equity (A)	577,560	455,014	507,874
Total assets (B)	711,867	638,678	665,900
Equity/assets ratio (A/B)	81%	71%	76%
Operating margin			
Operating profit (A)	182,900	174,405	242,511
Net sales (B)	559,467	560,731	768,347
Operating margin (A/B)	33%	31%	32%
Profit margin			
Profit before tax (A)	182,447	174,053	242,259
Net sales (B)	559,467	560,731	768,347
Profit margin (A/B)	33%	31%	32%
Equity per share			
Equity attributable to owners of the Parent Company (A)	577,558	455,012	507,872
Average number of shares (B)	17,336	17,336	17,336
Equity per share (A/B)	33.32	26.25	29.30

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

	Paediatrics		Adult Health		Other		Total	
	Jul-Sep 2020	Jan-Sep 2020	Jul-Sep 2020	Jan-Sep 2020	Jul-Sep 2020	Jan-Sep 2020	Jul-Sep 2020	Jan-Sep 2020
<i>(Amounts in SEK 000s)</i>								
Description								
A	127,965	442,712	38,841	117,401	338	618	167,144	560,731
B	101,854	443,497	29,341	113,878	765	2,094	131,961	559,467
C	-26,111	785	-9,500	-3,523	427	1,476	-35,183	-1,264
	-20%	0%	-24%	-3%	126%	239%	-21%	0%
D	106,864	439,840	30,774	113,141	765	2,094	138,403	555,075
E	-5,010	3,657	-1,432	737	0	0	-6,442	4,392
	-4%	1%	-4%	1%	0%	0%	-4%	1%
F	-21,101	-2,872	-8,067	-4,260	427	1,476	-28,741	-5,656
	-16%	-1%	-21%	-4%	126%	239%	-17%	-1%

Average key exchange rates	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
EUR	10.36	10.66	10.60	10.57	10.59
USD	8.88	9.59	9.51	9.40	9.46
JPY	0.0836	0.0893	0.0874	0.0862	0.0868

Key exchange rates on closing date	30 Sep 2020	30 Sep 2019	31 Dec 2019
EUR	10.54	10.73	10.43
USD	8.99	9.80	9.32
JPY	0.0851	0.0909	0.0853

Pledged assets and contingent liabilities	GROUP	
	30 Sep 2020	31 Dec 2019
(Amounts in SEK 000s)		
Floating charges	0	2,000
Contingent liabilities	None	None



Calendar

4 FEB
2021

🕒 Year-end report 2020

MAR
2021

🕒 Annual Report 2020

6 MAY
2021

🕒 Annual General Meeting 2020

6 MAY
2021

🕒 08:00 Interim Management Statement 1 January – 31 March 2021

12 AUG
2021

🕒 08:00 Interim Report 1 January – 30 June 2021

21 OCT
2021

🕒 08:00 Interim Management Statement 1 January – 30 September 2021

Stockholm, 23 October 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 *Limosilactobacillus* reuteri*.

The class B shares of the Parent Company BioGaia AB are quoted on the Mid Cap list of Nasdaq OMX Nordic Exchange Stockholm.

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 *L. reuteri* in licensee products.

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

BioGaia has patent protection for the use of specific strains of *L. 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 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.

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RESEARCH AND CLINICAL STUDIES

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

Studies performed include:

- Infantile colic
- Antibiotic-associated diarrhoea
- Acute diarrhoea
- Gingivitis (inflammation of the gums)
- Periodontal disease
- *Helicobacter pylori* (the gastric ulcer bacterium)
- Low bone density

* Previously *Lactobacillus*

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