

Year-end report

JANUARY – DECEMBER 2020





FOURTH QUARTER 2020

Net sales totalled SEK 187.6 million (207.6), a decrease of 10% (excluding foreign exchange effects, -4%). Product sales, net sales excluding royalty revenues, amounted to SEK 180.7 million (198.3), a decrease of 9% (excluding foreign exchange effects, -3%).

Net sales in the Paediatrics segment reached SEK 139.6 million (157.4), a decrease of 11%.

Net sales in the Adult Health segment amounted to SEK 47.3 million (49.9), a decrease of 5%.

Operating expenses amounted to SEK 94.7 million (86.1), an increase of 10%.

Operating profit decreased by 34% to SEK 45.3 million (68.1), which corresponds to an operating margin of 24% (33%).

Profit after tax was SEK 38.5 million (50.9), a decrease of 24%. Earnings per share amounted to SEK 2.02 (2.91). No dilutive effects arose.

Cash flow amounted to SEK 1,177.6 million (2.8).

Cash and cash equivalents at 31 December 2020 amounted to SEK 1,467.9 million (213.8).

Key events in the fourth quarter of 2020

On 12 October 2020, 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.

On 30 October 2020, BioGaia announced that the company has carried out a directed new issue of 2.86 million class B shares at a subscription price of SEK 400 per share, whereby the company acquired proceeds of approximately SEK 1.1 billion.

On 25 November 2020, BioGaia announced that an Extraordinary General Meeting of the company held on 25 November 2020 resolved that the number of Board members shall be eight without deputies, to elect Niklas Ringby as a new Board member, that no remuneration shall be paid to Niklas Ringby, to approve the Board's decision from 30 October 2020 to issue a maximum of 1,126,354 new class B shares, thereby increasing the company's share capital by a maximum of SEK 1,126,354.

JANUARY – DECEMBER 2020

Net sales totalled SEK 747.1 million (768.3), a decrease of 3% (excluding foreign exchange effects, -2%).

Product sales, net sales excluding royalty revenues, amounted to SEK 721.5 million (743.0), a decrease of 3% (excluding foreign exchange effects, -2%).

Net sales in the Paediatrics segment reached SEK 583.1 million (600.1), a decrease of 3%.

Net sales in the Adult Health segment amounted to SEK 161.2 million (167.3), a decrease of 4%.

Operating expenses amounted to SEK 318.8 million (321.5), a decrease of 1%.

Operating profit decreased by 6% to SEK 228.2 million (242.5), which corresponds to an operating margin of 31% (32%).

Profit after tax was SEK 179.7 million (187.3), a decrease of 4%.

Earnings per share amounted to SEK 10.07 (10.72). No dilutive effects arose.

Cash flow amounted to SEK 1,256.6 million (-72.3).

Cash and cash equivalents at 31 December 2020 amounted to SEK 1,467.9 million (213.8).

In accordance with the dividend policy, the Board proposes that the upcoming Annual General Meeting on 6 May 2021 approves an ordinary dividend of SEK 3.41 (3.75) per share corresponding to SEK 68.8 million (65.0). The Board further proposes a provision to the Foundation to Prevent Antibiotic Resistance of SEK 2.8 million (2.8).

Key events after the end of the fourth quarter

On 3 February 2021 the Board of BioGaia announced that the company has decided to revise the dividend policy to pay a shareholder dividend equal to 50% of profit after tax in the parent company compared to a previous 40 %.



| | Oct-Dec 2020 | Oct-Dec 2019 |
|--|--------------|--------------|
| Net sales, SEK 000s | 187,610 | 207,616 |
| Growth in net sales | -10% | -1% |
| Operating profit, SEK 000s | 45,250 | 68,106 |
| Operating margin | 24% | 33% |
| Profit after tax, SEK 000s | 38,467 | 50,938 |
| Profit margin | 24% | 33% |
| Number of shares, thousands | 20,196 | 17,336 |
| Earnings per share, SEK ^{1) 2)} | 2.02 | 2.91 |

- 1) The subscription price at the directed new issue announced in October 2020 amounted to SEK 400 per share which corresponded to 94 % of the share's fair value on the date of the new issue. A bonus issue element has been taken into account in the calculation of earnings per share before and after dilutive effects, which means that the comparative figure has been recalculated. There are no other dilutive effects.
- 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 4 February 2021, at 08.00 CET.

**BioGaia AB (publ.) Year-end report 2020**

The Board of Directors and the CEO of BioGaia AB hereby present the year-end report for 2020.

CEO'S COMMENTS

As you know, 2020 was a very challenging year around the world. BioGaia's sales started strongly, however, with growth in line with expectations. Although the Covid-19 crisis started seriously in March, BioGaia posted a sales increase of 7% in the first quarter followed by growth of 10% in the second quarter. But in the third quarter we could see that the pandemic would have a negative impact on sales. On 12 October, we announced that we expected reduced sales and lower earnings for both the third and fourth quarters. The fact that our sales go mainly to our partners and distributors explains the slightly delayed effect on sales.

After a decrease in sales of 21% (excluding foreign exchange effects, -17%) for the third quarter, sales fell by 10% (excluding foreign exchange effects, -4%) in the fourth quarter compared to the same period last year with continued weak sales due to Covid-19 in some of our largest and oldest markets, such as Italy and Spain. Here lengthy lockdowns have affected BioGaia's sales since consumers have been unable to visit doctors and physical pharmacies, where the bulk of sales in these countries take place. On the other hand, we have seen good sales in countries where we have implemented an omnichannel strategy, such as the USA and China, something that strengthened our conviction that we need to invest further in direct consumer marketing in many of our markets.

Our sales for the full-year 2020 totalled SEK 747 million which corresponds to a decrease of 3%. We are not pleased with this and have higher ambitions but at the same time we realise that we will continue to be affected by Covid-19. We hope that gradually during 2021 we will see a reduced impact from Covid-19 and that we can once more return to favourable growth. As I have pointed out previously, the global trend towards preventive healthcare is strong and people are increasingly taking responsibility for their own health. Together with our partners we will continue to work on the development of new products as well as focusing on both physical and online sales channels in order to strengthen BioGaia's global brand.

The operating profit for 2020 is SEK 228 million, a decrease of 6% compared to 2019 and the operating margin for the year is 31% compared to 32% for 2019. Operating profit excluding other operating expenses (primarily exchange losses/gains) amounted to SEK 244.5 million, a decrease of 2%. We have partly compensated for these weaker sales with lower costs particularly for marketing and sales.

On 30 October, we announced that BioGaia had successfully carried out a directed new issue of 2.86 million class B shares for a subscription price of SEK 400 per share, whereby the company received approximately SEK 1.1 billion. The directed new issue was oversubscribed and a large number of Swedish and international institutional investors took part, including the strategic investors Cargill Inc. and EQT Public Value. The plan is to use this capital to accelerate BioGaia's growth agenda by being able to act swiftly on potential acquisition opportunities. The ongoing consolidation of the probiotic industry means there are companies in all parts of the value chain on a global level that can be of interest to BioGaia.

Eleven months into the biggest pandemic of our time, we can state that the danger is not yet over but we can discern a hope that we will get through this as a result of vaccinations. As previously, we work continuously to adapt our business to meet the challenges Covid-19 entails but also to be able to take advantage of the opportunities created by the pandemic. I would like to especially thank all BioGaia's employees, our customers and other collaboration partners because your patience and hard work during these demanding times mean that despite all the challenges we have succeeded in carrying out what we have planned. My hope is that 2021 will be a year in which the world gradually returns to normal.

Isabelle Ducellier

President and CEO of BioGaia
4 February 2021



Teleconference: Investors, analysts and the media are invited to take part in a teleconference on the year-end report to be held today 4 February 2021 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 | Oct-Dec 2020 | Oct-Dec 2019 | Change |
|--------------|-----------------|-----------------|-------------|
| Paediatrics | 139.6 | 157.4 | -11% |
| Adult Health | 47.3 | 49.9 | -5% |
| Other | 0.7 | 0.3 | 115% |
| Total | 187.6 | 207.6 | -10% |

| | Jan-Dec 2020 | Jan-Dec 2019 | Change |
|--------------|-----------------|-----------------|------------|
| | 583.1 | 600.1 | -3% |
| | 161.2 | 167.3 | -4% |
| | 2.8 | 0.9 | 197% |
| Total | 747.1 | 768.3 | -3% |

| SEKm | Oct-Dec 2020 | Oct-Dec 2019 | Change |
|--------------|-----------------|-----------------|-------------|
| EMEA | 83.5 | 107.1 | -22% |
| APAC | 54.2 | 55.0 | -2% |
| Americas | 49.9 | 45.5 | 10% |
| Total | 187.6 | 207.6 | -10% |

| | Jan-Dec 2020 | Jan-Dec 2019 | Change |
|--------------|-----------------|-----------------|------------|
| | 372.6 | 399.6 | -7% |
| | 170.7 | 177.0 | -4% |
| | 203.7 | 191.8 | 6% |
| Total | 747.1 | 768.3 | -3% |

SALES FOURTH QUARTER

Figures in parentheses refer to the corresponding period last year. Consolidated net sales amounted to SEK 187.6 million (207.6) which is a decrease of SEK 20 million (-10%) (excluding foreign exchange effects, -4%) compared to the fourth quarter of last year. Product sales decreased by 9% (excluding foreign exchange effects, -3%).

Sales in EMEA amounted to SEK 83.5 million (107.1), a decrease of 22%, which was mainly due to lower sales within the Paediatrics segment while sales within Adult Health increased. Sales within Paediatrics decreased primarily in Italy and Romania which was partly offset by higher sales in Germany and Turkey. The increase within Adult Health was mainly attributable to France and Finland.

Sales in APAC amounted to SEK 54.2 million (55.0), a decrease of 2%. The decrease was attributable to the Adult Health segment where sales decreased primarily in Indonesia and Hong Kong. In the Paediatrics segment sales increased mainly in China, South Korea and Australia.

Sales in the Americas totalled SEK 49.9 million (45.5), an increase of 10%, which was due to higher sales in the Paediatrics segment. The increased sales in Paediatrics were mainly attributable to the USA and Canada.

SALES JANUARY - DECEMBER

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

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

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

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

NET SALES BRIDGE FOURTH QUARTER

| SEKm | | Change |
|------------------|--------------|-------------|
| 2019 | 207.6 | |
| Foreign exchange | -11.8 | -6% |
| Organic growth | -8.2 | -4% |
| 2020 | 187.6 | -10% |

NET SALES BRIDGE JANUARY - DECEMBER

| SEKm | | Change |
|------------------|--------------|------------|
| 2019 | 768.3 | |
| Foreign exchange | -7.4 | -1% |
| Organic growth | -13.8 | -2% |
| 2020 | 747.1 | -3% |



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 | Oct-Dec 2020 | Oct-Dec 2019 | Change |
|--------------|-----------------|-----------------|-------------|
| Products | 137.6 | 152.4 | -10% |
| Royalties | 2.0 | 5.0 | -60% |
| Total | 139.6 | 157.4 | -11% |

| | Jan-Dec 2020 | Jan-Dec 2019 | Change |
|--------------|-----------------|-----------------|------------|
| | 570.8 | 585.1 | -2% |
| | 12.3 | 15.0 | -18% |
| Total | 583.1 | 600.1 | -3% |

SALES FOURTH QUARTER

Figures in parentheses refer to the corresponding period last year. Sales in the Paediatrics segment amounted to SEK 139.6 million (157.4), a decrease of 11% (excluding foreign exchange effects, -6%). Product sales in Paediatrics amounted to SEK 137.6 million (152.4), a decrease of 10%.

Sales of BioGaia Protectis drops decreased slightly compared to the corresponding period last year. Sales increased in APAC and the Americas, but decreased in EMEA. In APAC, sales increased primarily in China and South Korea and in the Americas sales increased mainly in the USA and Canada. In EMEA, sales of drops decreased in Italy, Romania and South Africa which was partly offset by higher sales in Germany.

Sales of BioGaia Protectis tablets within Paediatrics decreased compared to the corresponding period last year. The decrease was due to lower sales in EMEA, APAC and the Americas, primarily in Spain, South Korea and Brazil.

SALES JANUARY-DECEMBER

Figures in parentheses refer to the corresponding period last year. Sales in the Paediatrics segment amounted to SEK 583.1 million (600.1), a decrease of 3% (excluding foreign exchange effects, -2%). Product sales in Paediatrics amounted to SEK 570.8 million (585.1), a decrease of 2%.

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

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



Adult Health



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 | Oct-Dec 2020 | Oct-Dec 2019 | Change |
|--------------|-----------------|-----------------|------------|
| Products | 42.6 | 45.8 | -7% |
| Royalties | 4.8 | 4.1 | 16% |
| Total | 47.3 | 49.9 | -5% |

| | Jan-Dec 2020 | Jan-Dec 2019 | Change |
|--|-----------------|-----------------|------------|
| | 148.6 | 157.8 | -6% |
| | 12.6 | 9.5 | 32% |
| | 161.2 | 167.3 | -4% |

SALES FOURTH QUARTER

Figures in parentheses refer to the corresponding period last year. Sales in the Adult Health segment amounted to SEK 47.3 million (49.9), a decrease of 5% (excluding foreign exchange effects, +1%). Product sales amounted to SEK 42.6 million (45.8), a decrease of 7%.

Sales of BioGaia Protectis tablets decreased compared to the corresponding period last year. In APAC, sales decreased in Hong Kong and Indonesia which was partly offset by higher sales in Japan. In EMEA, sales decreased mainly in Italy and South Africa.

Sales of BioGaia Gastrus increased compared to the corresponding period last year. Sales increased in APAC and EMEA. In APAC, sales increased primarily in Japan and in EMEA sales mainly increased in France.

Sales of BioGaia Prodentis increased compared to the corresponding period last year. The main sales increase was in South Korea, Japan and the USA.

SALES JANUARY - DECEMBER

Figures in parentheses refer to the corresponding period last year. Sales in the Adult Health segment amounted to SEK 161.2 million (167.3), a decrease of 4% (excluding foreign exchange effects, -2%). Product sales amounted to SEK 148.6 million (157.8), a decrease of 6%.

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

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

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



Earnings

FOURTH QUARTER

Gross margin

Figures in parentheses refer to the corresponding period last year. The total gross margin for the quarter amounted to 75% (74%). The gross margin for the Paediatrics segment amounted to 76% (76%). The gross margin for the Adult Health segment amounted to 70% (69%).

Operating expenses and operating profit

Operating expenses amounted to SEK 94.7 million (86.1), an increase of SEK 8.6 million. Excluding other operating expenses (exchange losses/gains) operating expenses increased by 1%. Operating expenses included costs for evaluation of acquisition candidates of SEK 3 million.

Selling expenses amounted to SEK 49.7 million (55.6), a decrease of 11%, mainly due to reduced marketing activities due to Covid-19. R&D expenses amounted to SEK 29.6 million (23.5), an increase of 26%. R&D expenses include costs for the subsidiaries MetaboGen AB and BioGaia Pharma AB of SEK 8.3 million (7.0). The increase in R&D expenses excluding costs for MetaboGen AB and BioGaia Pharma AB is mainly attributable to higher study expenses in the period.

Administrative expenses amounted to SEK 7.2 million (6.9), an increase of 5%.

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK 8.2 million (0.1).

Operating profit amounted to SEK 45.3 million (68.1), a decrease of 34%. The operating margin was 24% (33%).

Profit after tax and earnings per share

Profit after tax amounted to SEK 38.5 million (50.9), a decrease of 24%. The effective tax rate was 15% (25%).

Earnings per share amounted to SEK 2.02 (2.91). No dilutive effects arose.

JANUARY - DECEMBER

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

Operating expenses and operating profit

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

Selling expenses amounted to SEK 171.6 million (184.3), a decrease of 7%, mainly due to reduced marketing activities as a result of Covid-19 which were partly offset by increased personnel costs due to a higher number of employees.

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

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

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK 16.3 million (7.5).

Operating profit amounted to SEK 228.2 million (242.5), a decrease of 6%. The operating margin was 31% (32%).

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

Profit after tax and earnings per share

Profit after tax amounted to SEK 179.7 million (187.3) a decrease of 4%. The effective tax rate was 21% (23%).

Earnings per share amounted to SEK 10.07 (10.72). No dilutive effects arose.

Parent Company

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



Balance sheet and cash flow

BALANCE SHEET 31 DECEMBER 2020

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

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

CASH FLOW FOURTH QUARTER

Cash flow amounted to SEK 1,177.6 million (2.8) for the quarter.

Cash flow from operating activities increased by SEK 37.5 million compared to the fourth quarter of last year despite a lower operating profit. The increase in cash flow in operations is due to a positive change in working capital. This is explained in particular by lower trade receivables due to lower sales.

Investments in property, plant and equipment amounted to SEK 2.0 million (12.5). Depreciation amounted to SEK 5.7 million (4.1).

Cash flow from financing activities was affected by the new issue which provided SEK 1,126.8 million net after issue costs.

CASH FLOW JANUARY - DECEMBER

Cash flow amounted to SEK 1,256.6 million (-72.3) for the full year.

Cash flow from operating activities increased by SEK 73.4 million. The increase in cash flow in operations is due to a positive change in working capital.

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

Cash and cash equivalents at 31 December 2020 amounted to SEK 1,467.9 million (213.8).

Other disclosures

EMPLOYEES

The number of employees in the Group at 31 December 2020 totalled 160 (157 at 31 December 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 50% 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 December 2020 except for the impact of the Covid-19 pandemic which is set out below.

The fourth 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 fourth quarter.

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

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

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 100,000 class B shares, corresponding to 4.2% of the share capital and 27.9% 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 2020.



KEY EVENTS IN THE FOURTH QUARTER OF 2020

Launches in the fourth quarter of 2020

| Distributor | Country | Product |
|---------------|----------|--|
| Abbott | Uruguay | BioGaia Protectis drops, BioGaia Protectis tablets |
| Abbott | Chile | BioGaia Gastrus |
| Abbott | Bolivia | BioGaia Gastrus |
| BioGaia | Sweden | BioGaia Osfortis, BioGaia Prodentis |
| BioGaia Japan | Japan | BioGaia Prodentis MUM |
| Abbott | Thailand | BioGaia Gastrus, BioGaia Protectis tablets |
| Ewopharma | Bulgaria | BioGaia Protectis capsules |
| Everidis | USA | BioGaia Prodentis, BioGaia Protectis MUM capsules |

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

BioGaia intends to carry out a directed share issue of up to SEK 1.1 billion. On 30 October 2020, BioGaia announced its intention to carry out a directed issue of new class B shares corresponding to a value of up to SEK 1.1 billion to Swedish and international institutional investors. In the event of strong demand in the directed issue, certain major shareholders in the company – Annwall & Rothschild Investments AB and David Dangoor – have declared themselves willing to sell approximately 200,000 class B shares in BioGaia, at the same price as in the directed issue. The strategic investors Cargill Inc. and EQT Public Value have indicated interest to participate in the directed issue with significant amounts.

BioGaia has carried out a directed issue of 2.86 million class B shares, raising proceeds of SEK 1.1 billion. On 30 October 2020, BioGaia announced that BioGaia had successfully completed a directed issue of 2.86 million class B shares at a subscription price of SEK 400 per share, entailing proceeds to the company of approximately SEK 1.1 billion. The subscription price was based on an accelerated book building procedure. The directed issue was oversubscribed and a wide range of Swedish and international institutional investors participated, including the strategic investors Cargill Inc. and EQT Public Value Fund, which had previously indicated an interest to participate, as well as certain existing shareholders. In connection with the new issue, certain major shareholders, including Annwall & Rothschild Investments AB and David Dangoor, sold a total of 229,332 class B shares, at the same price as in the directed issue.

Nominating Committee ahead of the BioGaia AGM on 6 May 2021. On 3 November 2020, BioGaia announced that in accordance with the Annual General Meeting's resolution, the Nominating Committee has been appointed and consists in addition to the Chairman of BioGaia AB's Board, Peter Rothschild, of Per-Erik Andersson, appointed by the company's largest shareholder Annwall & Rothschild Investments AB, Jannis Kitsakis, appointed by the company's third largest shareholder The Fourth Swedish National Pension Fund, Caroline Sjösten, appointed by the company's fourth largest shareholder Swedbank Robur Fonder, and Sebastian Jahreskog, who through direct and indirect ownership is the company's fifth largest shareholder. All members of the Nominating Committee, except for Peter Rothschild, are independent in relation to the company and its management.

Extraordinary General Meeting of BioGaia. On 25 November 2020, BioGaia announced that the Extraordinary General Meeting of BioGaia held on 25 November 2020 had resolved as follows: that the number of Board members shall be eight without deputies to elect Niklas Ringby as a new Board member that no remuneration shall be paid to Niklas Ringby to approve the Board's resolution from 30 October 2020 to issue a maximum of 1,126,354 new class B shares, whereby the company's share capital will increase by a maximum of SEK 1,126,354.

New number of shares and votes in BioGaia. On 30 November 2020, BioGaia announced that the number of shares and votes in BioGaia AB has changed due to the directed issue of new shares completed on 25 November. Through the share issue the number of class B shares and votes in BioGaia increased by 2,860,000. On 30 November there are in total 20,196,462 shares in BioGaia, of which 740,668 are class A shares and 19,455,794 class B shares, together carrying 26,862,474 votes.

KEY EVENTS AFTER THE END OF THE FOURTH QUARTER OF 2020

No key events have occurred after the end of the fourth quarter that are not taken up in this year-end report.

Accounting policies

This interim report has been prepared for the Group in accordance with IAS 34, Interim Financial Reporting and the Swedish Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act. Disclosures in accordance with IAS 34 are provided both in notes and elsewhere in the interim report. The consolidated financial statements are presented in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations published by the IFRS Interpretations Committee (IFRIC) that have been endorsed by the European Commission for application in the EU. Unless otherwise stated below, the accounting standards applied for the Group and the Parent Company are consistent with those used in preparation of the most recent annual report. The Parent Company presents its financial statements in accordance with RFR 2, Accounting for Legal Entities, and the Annual Accounts Act, and applies the same accounting and valuation policies as in the most recent annual report.

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> | Oct-Dec 2020 | Oct-Dec 2019 | Jan-Dec 2020 | Jan-Dec 2019 |
|---|-------------------------|-----------------|-------------------------|-----------------|
| Net sales (Note 1) | 187,610 | 207,616 | 747,077 | 768,347 |
| Cost of sales | -47,646 | -53,432 | -200,159 | -204,349 |
| <i>Gross profit</i> | <i>139,964</i> | <i>154,184</i> | <i>546,918</i> | <i>563,998</i> |
| Selling expenses | -49,673 | -55,594 | -171,634 | -184,327 |
| Administrative expenses | -7,227 | -6,883 | -26,128 | -24,609 |
| Research and development expenses | -29,634 | -23,515 | -104,663 | -105,051 |
| Other operating expenses/operating income | -8,180 | -86 | -16,343 | -7,500 |
| <i>Operating profit</i> | <i>45,250</i> | <i>68,106</i> | <i>228,150</i> | <i>242,511</i> |
| Financial income | 46 | 152 | 155 | 416 |
| Financial expenses | -160 | -52 | -722 | -668 |
| <i>Profit before tax</i> | <i>45,136</i> | <i>68,206</i> | <i>227,583</i> | <i>242,259</i> |
| Tax | -6,669 | -17,268 | -47,853 | -55,001 |
| Profit for the period | 38,467 | 50,938 | 179,730 | 187,258 |
| Items that may be subsequently reclassified to profit or loss | | | | |
| Gains/losses arising on translation of statements of foreign operations | -292 | 208 | -4,059 | 415 |
| Comprehensive income for the period | 38,175 | 51,146 | 175,671 | 187,673 |
| Profit for the period attributable to: | | | | |
| Owners of the Parent Company | 38,467 | 50,920 | 179,730 | 187,347 |
| Non-controlling interests | - | 18 | - | -89 |
| | 38,467 | 50,938 | 179,730 | 187,258 |
| Comprehensive income for the period attributable to: | | | | |
| Owners of the Parent Company | 38,175 | 51,128 | 175,671 | 187,762 |
| Non-controlling interests | - | 18 | - | -89 |
| | 38,175 | 51,146 | 175,671 | 187,673 |
| Earnings per share | | | | |
| Earnings per share (SEK) ¹⁾ | 2.02 | 2.91 | 10.07 | 10.72 |
| Number of shares (thousands) | 20,196 | 17,336 | 20,196 | 17,336 |
| Average number of shares (thousands) ¹⁾ | 18,997 | 17,474 | 17,855 | 17,474 |

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


CONSOLIDATED BALANCE SHEETS

| <i>Summary (Amounts in SEK 000s)</i> | 31 Dec 2020 | 31 Dec 2019 |
|---|------------------------|----------------|
| ASSETS | | |
| Property, plant and equipment | 133,904 | 128,747 |
| R&D projects in progress | 50,322 | 52,558 |
| Goodwill | 5,300 | 5,300 |
| Right-of-use assets | 28,861 | 20,295 |
| Deferred tax assets | 5,279 | 6,518 |
| Other non-current receivables | 39 | 44 |
| <i>Total non-current assets</i> | <i>223,705</i> | <i>213,462</i> |
| Current assets excl. cash and cash equivalents | 221,694 | 238,607 |
| Cash and cash equivalents | 1,467,883 | 213,831 |
| <i>Total current assets</i> | <i>1,689,577</i> | <i>452,438</i> |
| TOTAL ASSETS | 1,913,282 | 665,900 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the Parent Company | 1,746,243 | 507,872 |
| Non-controlling interests | 2 | 2 |
| Total equity (Note 2) | 1,746,245 | 507,874 |
| Deferred tax liability | 11,312 | 10,339 |
| Non-current liabilities | 20,663 | 22,887 |
| Current liabilities | 135,062 | 124,800 |
| TOTAL LIABILITIES AND EQUITY | 1,913,282 | 665,900 |

Other current liabilities include forward exchange contracts with a fair value of SEK 2.4 million on the balance sheet date (in the corresponding period in the previous year forward exchange contracts were included in current liabilities at SEK 2.5 million). All forward exchange contracts are attributable to level 2 of the fair value hierarchy. No changed assumptions 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> | Oct-Dec 2020 | Oct-Dec 2019 | Jan-Dec 2020 | Jan-Dec 2019 |
|--|-------------------------|-----------------|-------------------------|-----------------|
| Operating activities | | | | |
| Operating profit | 45,250 | 68,106 | 228,150 | 242,511 |
| Depreciation/amortisation | 5,685 | 4,078 | 20,530 | 15,593 |
| Unrealised gains/losses on forward contracts | -2,060 | 0 | -4,876 | 5,085 |
| Other non-cash items | 972 | -629 | 1,167 | -2,010 |
| Paid tax | -20,125 | -21,550 | -72,092 | -72,292 |
| Interest received and paid | -194 | 99 | -646 | -253 |
| Cash flow from operating activities before changes in working capital | 29,528 | 50,104 | 172,233 | 188,634 |
| Changes in working capital | 25,087 | -33,000 | 49,023 | -40,779 |
| Cash flow from operating activities | 54,615 | 17,104 | 221,256 | 147,855 |
| Acquisition of property, plant and equipment | -1,991 | -12,495 | -16,075 | -32,316 |
| Acquisition of intangible assets | - | -2,336 | - | -6,708 |
| Cash flow from investing activities | -1,991 | -14,831 | -16,075 | -39,024 |
| Dividend | - | - | -65,012 | -173,365 |
| Repayment of lease liability | -1,886 | 558 | -7,632 | -4,525 |
| Provision to the Foundation to Prevent Antibiotic Resistance | - | - | -2,800 | -3,200 |
| New issue, net | 1,126,840 | - | 1,126,840 | ,- |
| Cash flow from financing activities | 1,124,954 | 558 | 1,051,396 | -181,090 |
| Cash flow for the period | 1,177,578 | 2,831 | 1,256,577 | -72,259 |
| Cash and cash equivalents at the beginning of the period | 292,385 | 212,953 | 213,831 | 284,962 |
| Exchange differences in cash and cash equivalents | -2,080 | -1,953 | -2,525 | 1,128 |
| Cash and cash equivalents at the end of the period | 1,467,883 | 213,831 | 1,467,883 | 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) | Oct-Dec 2020 | Oct-Dec 2019 | Jan-Dec 2020 | Jan-Dec 2019 |
|--|-----------------|-----------------|-----------------|-----------------|
| Revenue by segment | | | | |
| Paediatrics | 139,614 | 157,378 | 583,111 | 600,090 |
| Adult Health | 47,309 | 49,920 | 161,186 | 167,321 |
| Other | 687 | 319 | 2,780 | 937 |
| Total | 187,610 | 207,616 | 747,077 | 768,347 |
| Gross profit by segment | | | | |
| Paediatrics | 106,444 | 119,614 | 431,810 | 445,676 |
| Adult Health | 32,904 | 34,251 | 112,588 | 117,385 |
| Other | 617 | 319 | 2,521 | 937 |
| Total | 139,964 | 154,184 | 546,918 | 563,998 |
| Selling, administrative and R&D expenses | -86,534 | -85,992 | -302,425 | -313,987 |
| Other operating expenses | -8180 | -86 | -16,343 | -7,500 |
| Operating profit | 45,250 | 68,106 | 228,150 | 242,511 |
| Net financial items | -114 | 100 | -567 | -252 |
| Profit before tax | 45,136 | 68,206 | 227,583 | 242,259 |
| Sales by geographical market | | | | |
| APAC | | | | |
| Paediatrics | 22,995 | 19,560 | 82,689 | 72,991 |
| Adult Health | 30,763 | 35,416 | 86,625 | 103,839 |
| Other | 450 | 61 | 1,432 | 129 |
| Total APAC | 54,208 | 55,038 | 170,746 | 176,960 |
| EMEA | | | | |
| Paediatrics | 70,750 | 97,105 | 312,520 | 346,536 |
| Adult Health | 12,517 | 9,699 | 58,894 | 52,229 |
| Other | 221 | 257 | 1,169 | 807 |
| Total EMEA | 83,488 | 107,062 | 372,583 | 399,573 |
| Americas | | | | |
| Paediatrics | 45,869 | 40,712 | 187,902 | 180,562 |
| Adult Health | 4,029 | 4,804 | 15,667 | 11,252 |
| Other | 16 | - | 179 | - |
| Total Americas | 49,914 | 45,516 | 203,748 | 191,814 |
| Total | 187,610 | 207,616 | 747,077 | 768,347 |



| <i>Date of recognition performance obligations met on specific date (product sales)</i> | Oct-Dec | Oct-Dec | Jan-Dec | Jan-Dec |
|---|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Paediatrics | 137,636 | 152,378 | 570,829 | 585,090 |
| Adult Health | 42,556 | 45,823 | 148,635 | 157,811 |
| Other | 494 | 61 | 2,027 | 129 |
| Total | 180,686 | 198,261 | 721,491 | 743,030 |
| <i>Performance obligations met over time (Royalty)</i> | | | | |
| Paediatrics | 1,978 | 5,000 | 12,282 | 15,000 |
| Adult Health | 4,753 | 4,097 | 12,551 | 9,509 |
| Other | 193 | 258 | 753 | 807 |
| Total | 6,924 | 9,355 | 25,586 | 25,317 |
| Total | 187,610 | 207,616 | 747,077 | 768,347 |

NOTE 2 SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>(Amounts in SEK 000s)</i> | Jan-Dec 2020 | Jan-Dec 2019 |
|--|------------------|-----------------|
| Opening balance | 507,874 | 508,121 |
| New issue, net | 1,130,512 | - |
| Dividend | -65,012 | -173,365 |
| Provision to the Foundation to Prevent Antibiotic Resistance | -2,800 | -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 | 175,671 | 187,673 |
| Closing balance | 1,746,245 | 507,874 |

LARGEST SHAREHOLDERS AT 31 DECEMBER 2020 (SOURCE: MONITOR)

| | A shares | B shares | Share capital | No. of votes | Capital | Votes |
|----------------------------------|----------------|-------------------|-------------------|-------------------|-------------|-------------|
| 1 Peter Rothschild & Jan Annwall | 740,668 | 100,000 | 840,668 | 7,506,680 | 4.16% | 27.94% |
| 2 EQT | | 1,625,000 | 1,625,000 | 1,625,000 | 8.05% | 6.05% |
| 3 Fjärde AP-Fonden | | 1,521,584 | 1,521,584 | 1,521,584 | 7.53% | 5.66% |
| 4 Swedbank Robur Fonder | | 1,112,405 | 1,112,405 | 1,112,405 | 5.51% | 4.14% |
| 5 Miton Asset Management | | 1,003,881 | 1,003,881 | 1,003,881 | 4.97% | 3.74% |
| 6 Cargill Inc | | 600,000 | 600,000 | 600,000 | 2.97% | 2.23% |
| 7 TIN Fonder | | 531,835 | 531,835 | 531,835 | 2.63% | 1.98% |
| 8 Tredje AP-fonden | | 380,263 | 380,263 | 380,263 | 1.88% | 1.42% |
| 9 Didner & Gerge Fonder | | 376,517 | 376,517 | 376,517 | 1.86% | 1.40% |
| 10 Juno Investment Partners | | 371,038 | 371,038 | 371,038 | 1.84% | 1.38% |
| Other shareholders | | 11,833,271 | 11,833,271 | 11,833,271 | 58.59% | 44.05% |
| Total | 740,668 | 19,455,794 | 20,196,462 | 26,862,474 | 100% | 100% |



Consolidated key ratios

| | Jan-Dec 2020 | Jan-Dec 2019 |
|--|--------------|--------------|
| Net sales, SEK 000s | 747,077 | 768,347 |
| Growth of net sales | -3% | 4% |
| Operating profit, SEK 000s | 228,150 | 242,511 |
| Profit after tax, SEK 000s | 179,730 | 187,258 |
| Return on equity | 16% | 37% |
| Return on capital employed | 20% | 47% |
| Capital employed, SEK 000s | 1,757,557 | 518,213 |
| Number of shares (thousands) ¹⁾ | 20,196 | 17,336 |
| Average number of shares (thousands) | 17,855 | 17,474 |
| Earnings per share, SEK ^{1) 2)} | 10.07 | 10.72 |
| Equity per share, SEK ¹⁾ | 97.80 | 29.06 |
| Equity/assets ratio | 91% | 76% |
| Operating margin | 31% | 32% |
| Profit margin | 30% | 32% |
| Average number of employees | 157 | 149 |

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

DEFINITIONS 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. . |
| 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 |
| 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) | 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. Breakdown into foreign exchange and organic growth. | Shows the company's realised sales growth over time. |
| Profit margin | Profit before tax as a percentage of sales. | This key ratio makes it possible to compare profitability regardless of corporate income tax rate. |


DEFINITIONS OF KEY RATIOS, CONTINUED
(Amounts in SEK 000s)

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

DEFINITION OF KEY RATIOS, CONTINUED
(Amounts in SEK 000s)

| | 31 Dec 2020 | 31 Dec 2019 |
|---|------------------------|----------------|
| Equity/assets ratio | | |
| Equity (A) | 1,746,245 | 507,874 |
| Total assets (B) | 1,913,282 | 665,900 |
| Equity/assets ratio (A/B) | 91% | 76% |
| Operating margin | | |
| Operating profit (A) | 228,150 | 242,511 |
| Net sales (B) | 747,077 | 768,347 |
| Operating margin (A/B) | 30% | 32% |
| Profit margin | | |
| Profit before tax (A) | 227,583 | 242,259 |
| Net sales (B) | 747,077 | 768,347 |
| Profit margin (A/B) | 30% | 32% |
| Equity per share | | |
| Equity attributable to owners of the Parent Company (A) | 1,746,243 | 507,872 |
| Average number of shares (B) | 17,855 | 17,474 |
| Equity per share (A/B) | 97.80 | 29.06 |

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

| | Paediatrics | | Adult Health | | Other | | Total | | |
|------------------------------|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------|
| | Oct-Dec 2020 | Jan-Dec 2020 | Oct-Dec 2020 | Jan-Dec 2020 | Oct-Dec 2020 | Jan-Dec 2020 | Oct-Dec 2020 | Jan-Dec 2020 | |
| <i>(Amounts in SEK 000s)</i> | | | | | | | | | |
| Description | | | | | | | | | |
| A | Previous year's net sales according to the average rate | 157,377 | 600,089 | 49,920 | 167,321 | 319 | 937 | 207,616 | 768,347 |
| B | Net sales for the year according to the average rate | 139,614 | 583,111 | 47,309 | 161,186 | 687 | 2,780 | 187,610 | 747,077 |
| C | Recognised change (B-A) | -17,763 | -16,978 | -2,611 | -6,134 | 368 | 1,843 | -20,006 | -21,270 |
| | Percentage change (C/A) | -11% | -3% | -5% | -4% | 115% | 197% | -10% | -3% |
| D | Net sales for the year according to the previous year's average rate (D) | 148,450 | 588,290 | 50,288 | 163,429 | 687 | 2,780 | 199,425 | 754,499 |
| E | Foreign exchange effects (C-F) | -8,836 | -5,179 | -2,979 | -2,243 | 0 | 0 | -11,815 | -7,423 |
| | Percentage change (E/A) | -6% | -1% | -6% | -1% | 0% | 0% | -6% | -1% |
| F | Organic change (D-A) | -8,927 | -11,799 | 368 | -3,892 | 368 | 1,843 | -8,191 | -13,848 |
| | Organic change per cent (F/A) | -6% | -2% | 1% | -2% | 115% | 197% | -4% | -2% |



| Average key exchange rates | Oct-Dec 2020 | Oct-Dec 2019 | Jan-Dec 2020 | Jan-Dec 2019 |
|----------------------------|-----------------|-----------------|-----------------|-----------------|
| EUR | 10.32 | 10.66 | 10.54 | 10.59 |
| USD | 8.70 | 9.63 | 9.27 | 9.46 |
| JPY | 0.0862 | 0.0886 | 0.0862 | 0.0868 |

| Key exchange rates on closing date | 31 Dec 2020 | 31 Dec 2019 |
|------------------------------------|----------------|----------------|
| EUR | 10.04 | 10.43 |
| USD | 8.19 | 9.32 |
| JPY | 0.0792 | 0.0853 |

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

SUMMARY STATEMENT OF COMPREHENSIVE INCOME, PARENT COMPANY
PARENT COMPANY INCOME STATEMENT

| (Amounts in SEK 000s) | Jan-Dec 2020 | Jan-Dec 2019 |
|---|-----------------|-----------------|
| Net sales | 699,349 | 720,730 |
| Cost of sales | -241,555 | -246,478 |
| Gross profit | 457,794 | 474,252 |
| Selling expenses | -138,162 | -153,320 |
| Administrative expenses | -24,306 | -23,523 |
| R&D expenses | -84,063 | -90,920 |
| Other operating expenses | -16,943 | -7,451 |
| Operating profit | 194,320 | 199,038 |
| Impairment loss on shares in subsidiary | -20,756 | -1,297 |
| Net financial items | 1,169 | 1,885 |
| Profit before tax | 174,733 | 199,626 |
| Tax | -37,061 | -36,948 |
| Profit for the period | 137,672 | 162,678 |

PARENT COMPANY BALANCE SHEET

| Summary (Amounts in SEK 000s) | 31 Dec 2020 | 31 Dec 2019 |
|--|------------------|----------------|
| ASSETS | | |
| Property, plant and equipment | 6,246 | 6,949 |
| Shares in group companies | 4,472 | 6,708 |
| Shares in associates | 154,671 | 154,671 |
| Non-current receivables from subsidiaries | 10,835 | 35,835 |
| Total non-current assets | 176,224 | 204,163 |
| Current assets excl. cash and cash equivalents | 198,013 | 207,674 |
| Cash and cash equivalents | 1,419,361 | 153,217 |
| Total current assets | 1,617,374 | 360,891 |
| TOTAL ASSETS | 1,793,598 | 565,054 |
| EQUITY AND LIABILITIES | | |
| Equity | 1,636,587 | 436,216 |
| Interest-free current liabilities | 157,011 | 128,838 |
| TOTAL LIABILITIES AND EQUITY | 1,793,598 | 565,054 |


PARENT COMPANY CASH FLOW STATEMENT

| <i>Summary (Amounts in SEK 000s)</i> | Jan-Dec 2020 | Jan-Dec 2019 |
|--|-------------------------|-----------------|
| Operating activities | | |
| Operating profit | 194,320 | 199,038 |
| Depreciation | 3,746 | 1,458 |
| Other non-cash items | 1,881 | -1,773 |
| Forward exchange contracts | -4,876 | 5,085 |
| Tax paid | -59,309 | -59,401 |
| Interest received and paid | 1,169 | 1,886 |
| Cash flow from operating activities before changes in working capital | 136,931 | 146,293 |
| Changes in working capital | 47,874 | -26,822 |
| Cash flow from operating activities | 184,805 | 119,471 |
| Acquisition of intangible assets | - | -6,708 |
| Acquisition of property, plant and equipment | -807 | -3,189 |
| Sale of property, plant and equipment | - | - |
| Acquisition of financial assets | - | -15,000 |
| Repayment of loan from subsidiary | 25,000 | 10,000 |
| Cash flow from investing activities | 24,193 | -14,897 |
| Dividend | -65,012 | -173,364 |
| Provision to Foundation to Prevent Antibiotic Resistance | -2,800 | -3,200 |
| New issue, net | 1,126,840 | - |
| Cash flow from financing activities | 1,059,028 | -176,564 |
| Cash flow for the period | 1,268,026 | -71,990 |
| Cash and cash equivalents at the beginning of the period | 153,217 | 224,732 |
| Exchange rate differences in cash and cash equivalents | -1,882 | 475 |
| Cash and cash equivalents at the end of the period | 1,419,361 | 153,217 |

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| <i>(Amounts in SEK 000s)</i> | Jan-Dec 2020 | Jan-Dec 2019 |
|--|-------------------------|-----------------|
| Opening balance | 436,215 | 450,102 |
| Dividend | -65,012 | -173,365 |
| Provision to Foundation to Prevent Antibiotic Resistance | -2,800 | -3,200 |
| New issue, net | 1,130,512 | - |
| Comprehensive income for the period | 137,672 | 162,678 |
| Closing balance | 1,636,587 | 436,215 |



Financial calendar

**MAR
2021**

Annual Report 2020

**12 AUG
2021**

08:00 Interim Report 1 January – 30 June 2021

**6 May
2021**

Annual General Meeting 2020

**21 OCT
2021**

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

**6 May
2021**

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

Stockholm, 4 February 2021
Peter Rothschild
Board Chairman

David Dangoor
Board Vice Chairman

Ewa Björling
Board member

Peter Elving
Board member

Maryam Ghahremani
Board member

Antho Jahreskog
Board member

Niklas Ringby
Board member

Vanessa Rothschild
Board member

Isabelle Ducellier
CEO

AUDITOR'S REVIEW REPORT

Introduction

We have reviewed the Year-End Report of BioGaia AB (publ), for the period 1 January – 31 December 2020. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, 4 February 2021
Deloitte AB
Birgitta Lööf
Authorised Public Accountant



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 Parent Company BioGaia AB's class B shares 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.

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 2020, 77% (71%) 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.

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, more than 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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