

Year-end report 2019

(Figures in parentheses and comparative figures in the text refer to the corresponding period of last year. The comparative figures in the balance sheet refer to 31 December 2018).



Comments from the CEO:

"Sales in the fourth quarter of 2019 decreased by 1%, mainly due to reduced royalties from Nestlé and delivery problems. Product sales increased by 6% due to favourable growth primarily for the Paediatrics segment with a sales growth of 10%. The operating margin reached 33% despite lower sales and our increased investments in the subsidiaries MetaboGen and BioGaia Pharma.

"We started the year knowing that Nestlé had terminated the royalty agreement for Growing Up Milk and we understood that it would be difficult to achieve our normal growth rate. The plan to compensate for this within other areas succeeded. Product sales for the full year rose 12% while total sales increased by 4%. This despite suffering serious delivery delays in the third and fourth quarters due to problems at one of our suppliers. The problem with delivery delays from our supplier in Belgium eased steadily during the fourth quarter," says Isabelle Ducellier, President and CEO of BioGaia

Fourth quarter 2019

Net sales totalled SEK 207.6 million (209.7), a decrease of 1% (excluding foreign exchange effects, 5%). Product sales, net sales excluding royalty revenues, amounted to SEK 198.3 million (187.6), an increase of 6% (excluding foreign exchange effects, 2%).

Net sales in the Paediatrics segment reached SEK 157.4 million (158.0), a decrease of 0.4%. Product sales within Paediatrics amounted to SEK 152.4 million (139.1), an increase of 10%.

Net sales in the Adult Health segment amounted to SEK 49.9 million (49.1), an increase of 2%.

Operating profit amounted to SEK 68.1 million (75.1), a decrease of 9%.

Profit after tax was SEK 50.9 million (57.0), a decrease of 11%.

Earnings per share totalled SEK 2.94 (3.29). No dilutive effects arose.

Cash flow amounted to SEK 2.8 million (26.9).

Key events in the fourth quarter of 2019

On 10 October, BioGaia announced that BioGaia had suffered from delivery delays from one of its external suppliers which will affect sales and earnings in both the third and fourth quarters of 2019.

On 15 October, BioGaia announced that a published study shows that BioGaia Gastrus tablets are effective as an adjunct in patients with *Helicobacter pylori* infections.

Key events after year-end 2019

No key events occurred after the end of the period.

1) Excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.

Full year 2019

Net sales totalled SEK 768.3 million (741.9), an increase of 4% (excluding foreign exchange effects, -2%). Product sales, net sales excluding royalty revenues, amounted to SEK 743.0 million (662.1), an increase of 12% (excluding foreign exchange effects, 7%).

Net sales in the Paediatrics segment reached SEK 600.1 million (596.5), an increase of 1%. Product sales within Paediatrics amounted to SEK 585.1 million (523.5), an increase of 12%.

Net sales in the Adult Health segment amounted to SEK 167.3 million (141.7), an increase of 18%.

Operating profit amounted to SEK 242.5 million (277.4). Operating profit excluding revaluation of a former associate shareholding amounted to SEK 242.5 million (270.4)¹⁾, a decrease of 10%.

Profit after tax amounted to SEK 187.3 million (207.2)¹⁾, a decrease of 10%.

Earnings per share totalled SEK 10.81 (11.99)¹⁾. No dilutive effects arose.

Cash flow amounted to SEK -72.3 million (-22.9). Cash and cash equivalents at 31 December 2019 amounted to SEK 213.8 million (285.0).

The Board proposes that the upcoming Annual General Meeting on 7 May 2020 approves an ordinary dividend according to the policy of SEK 3.75 (4.05) per share and an extraordinary dividend of SEK 4.25 (5.95) per share making a total dividend of SEK 8.00 (10.00) per share, corresponding to SEK 138.7 million (173.4).

The Board further proposes that the upcoming Annual General Meeting approves a provision to the Foundation to Prevent Antibiotic Resistance of SEK 2.8 million (3.2).

Teleconference: Investors, analysts and the media are invited to take part in a teleconference on the year-end report to be held today 6 February 2020 at 9:30 CET with CEO Isabelle Ducellier. To participate in the teleconference, please see <https://financialhearings.com/event/12158> for telephone numbers. The teleconference can also be followed at <https://tv.streamfabriken.com/biogaiia-q4-2019>.



This information is information that BioGaia AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the CEO, on 6 February 2020 at 08:00 CET.

This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording shall prevail.

BioGaia AB (publ.) **Year-end report 2019**

The Board of Directors and the CEO of BioGaia AB hereby present the year-end report for 2019.

CEO's comments

Sales in the fourth quarter of 2019 decreased by 1%, mainly due to reduced royalties from Nestlé and delivery problems. Product sales increased by 6% due to favourable growth primarily for the Paediatrics segment which had a sales growth of 10%. The operating margin reached 33% despite lower sales and our increased investments in the subsidiaries MetaboGen and BioGaia Pharma.

We started the year knowing that Nestlé had terminated the royalty agreement for Growing Up Milk and we understood that it would be difficult to achieve our normal growth rate. The plan to compensate for this within other areas succeeded. Product sales for the full year rose 12% while total sales increased by 4%. This despite suffering serious delivery delays in the third and fourth quarters due to problems at one of our suppliers. The problem with delivery delays from our supplier in Belgium eased steadily during the fourth quarter.

The launch of BioGaia Protectis drops in Qatar at the end of the year means that our products are now available in 107 countries. The largest market in 2019 – for the first time in BioGaia's history – was the USA, driven by our focus on online sales under the BioGaia brand and new product launches under the Gerber brand. Japan was our second-largest market, followed by Brazil and Italy. The market which saw the biggest sales increase during the year was China.

Sales of drops, which make up the bulk of sales, increased in all regions but primarily in the Americas and APAC but EMEA also developed well. In APAC, sales increased primarily in China and South Korea. In the Americas, the increase was mainly attributable to the USA and Mexico, while in EMEA sales rose mainly in Italy and France.

We launched three totally new products during the year: BioGaia Osofortis (which prevents osteoporosis) in the USA, BioGaia Prodentis Mum (which prevents gingivitis during pregnancy) in Japan, and BioGaia Protectis vegan capsules in Finland. In addition to these launches we continued to rollout existing products through more than 30 launches in different markets worldwide.

We are now starting the new year with growth expectations that are back at our historical levels, driven primarily by the APAC and Americas regions as well as our strategic focus on the Mother & child and Healthy Ageing segments. The work to implement our mission "To be the ground-breaking leader in probiotics that contributes to improved health by educating people and providing probiotic products for defined indications" means a greatly increased focus on consumers.

We celebrate our 30th anniversary as a company in 2020. Bearing in mind our Chinese success story, I cannot resist quoting Confucius – "Study the past if you would divine the future" – to sum up my expectations for the year ahead.

Isabelle Ducellier
President and CEO of BioGaia
6 February 2020



FINANCIAL PERFORMANCE IN THE FOURTH QUARTER OF 2019

Sales, fourth quarter

Consolidated net sales totalled SEK 207.6 million (209.7) which is a decrease of SEK 2.1 million (-1%) (excluding foreign exchange effects, -5%) compared to the fourth quarter of last year. Product sales increased by 6% (excluding foreign exchange effects, 2%) while royalty revenues decreased by 58% due to lower royalties from Nestlé.

Sales in the Paediatric segment amounted to SEK 157.4 million (158.0), a change of 0% (excluding foreign exchange effects -4%) compared to the fourth quarter of last year. Product sales within Paediatrics amounted to SEK 152.4 million (139.1) an increase of 10% mainly due to sales of BioGaia Protectis drops which showed a strong increase in APAC and EMEA. Royalty revenues, primarily from sales to Nestlé of Growing Up Milk with *Lactobacillus reuteri* Protectis for children over the age of one, decreased by SEK 11.0 million compared to the fourth quarter of 2018.

Sales in the Adult Health segment amounted to SEK 49.9 million (49.1), an increase of 2% (excluding foreign exchange effects, -2%). This was mainly due to increased sales of BioGaia Protectis and Gastrus tablets in APAC and the Americas which was counteracted by delivery delays, see Key events in the fourth quarter of 2019.

Sales in EMEA amounted to SEK 107.1 million (119.3), a decrease of 10%, which was mainly due to lower royalty revenues but also to delivery delays.

In APAC, sales amounted to SEK 55.0 million (45.8), an increase of 20%. Sales increased for both the Paediatrics and Adult Health segments.

In the Americas, sales amounted to SEK 45.5 million (44.6), an increase of 2%. The increase was attributable to the Adult Health segment while Paediatrics had a weaker quarter.

Gross margin, fourth quarter

The total gross margin for the quarter was 74% (75%). The gross margin for the Paediatric segment was 76% (76%). The gross margin for the Adult Health segment amounted to 69% (72%).

Operating expenses and operating profit, fourth quarter

Operating expenses (selling, administrative and R&D expenses) for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen AB) totalled SEK 79.0 million (78.9), an increase of 0.1%.

For some time now, the Group has included the two research-intensive subsidiaries BioGaia Pharma AB and MetaboGen AB. Expenses for these companies amounted to SEK 7.0 million (4.1).

Total operating expenses for the Group thus increased by 4% compared to the corresponding period last year.

Other operating expenses refers to exchange gains/losses on receivables and liabilities of an operating nature and amounted to SEK 0.1 million (+0.5).

Operating profit amounted to SEK 68.1 million (75.1), a decrease of 9%. The operating margin amounted to 33% (36%).

Profit after tax and earnings per share, fourth quarter

Profit after tax amounted to SEK 50.9 million (57.0) a decrease of 11%. The effective tax rate was 25% (24%).

Earnings per share amounted to SEK 2.94 (3.29). No dilutive effects arose.

KEY EVENTS IN THE FOURTH QUARTER OF 2019

Launches in the fourth quarter of 2019

Distributor	Country	Product
Nestlé	Chile	Protectis minipack
Nestlé	Mexico	Protectis minipack
Ferring	Qatar	BioGaia Protectis drops
Age D'or	Singapore	BioGaia Protectis tablets with a new flavour (strawberry) and drops with vitamin D
Interbat	Indonesia	BioGaia Prodentis lozenges

Lower sales due to delivery delays

On 10 October, BioGaia announced that BioGaia had suffered from delivery delays from one of its external suppliers. The delays are caused by the supplier's implementation of a new IT system in its production. BioGaia estimates that the delays will affect sales to distribution partners and earnings in both the third and fourth quarters of 2019.

Study published with BioGaia Gastrus tablets

On 15 October, BioGaia announced that a double-blind, randomised and placebo-controlled study showed that *Lactobacillus reuteri* Gastrus, in combination with quadruple therapy, improves treatment of infections caused by the bacterium *Helicobacter pylori*. Further, supplementation of *Lactobacillus reuteri* Gastrus significantly reduced the side-effects of the treatment.

The study was conducted at the Thammasat University Hospital in Thailand and published in the September issue of the [Asian Journal of Cancer Prevention](#).

New CFO of BioGaia

On 28 October, BioGaia announced that Alexander Kotsinas starts his position as Chief Financial Officer at BioGaia on 5 November 2019.

BioGaia signs exclusive agreement in Tunisia

On 20 December, BioGaia announced that BioGaia has signed an agreement with Healthexport for the exclusive rights to sell BioGaia Protectis drops, BioGaia Protectis tablets and BioGaia Gastrus in Tunisia.

KEY EVENTS AFTER YEAR-END 2019

No key events occurred after the end of the period.



FINANCIAL PERFORMANCE FULL YEAR 2019

Sales, 2019

Consolidated net sales totalled SEK 768.3 million (741.9) which is an increase of SEK 26.5 million, 4% (excluding foreign exchange effects, -2%) compared to the previous year. The lower revenue increase is mainly due to reduced royalty revenues from Nestlé. Product sales, net sales excluding royalty revenues, amounted to SEK 743.0 million (662.1) which is an increase of 12% (excluding foreign exchange effects, 7%).

PAEDIATRICS SEGMENT

Sales in the Paediatrics segment amounted to SEK 600.1 million (596.5) an increase of 1% (excluding foreign exchange effects a decrease of 5%) compared to the previous year. Royalty revenues from Nestlé relating to the use of *Lactobacillus reuteri* in Growing Up Milk for children over the age of one, fell sharply. Product sales amounted to SEK 585.1 million (523.5), an increase of 12% (excluding foreign exchange effects, 6%).

Sales of drops, which make up the bulk of sales, increased in all regions but primarily in the Americas and APAC but EMEA also developed well. In APAC, sales increased primarily in China and South Korea. In the Americas, the increase was mainly attributable to the USA and Mexico, while in EMEA sales rose mainly in Italy and France.

Sales of BioGaia Protectis tablets within Paediatrics showed a weak increase due to delivery problems. The decrease was mainly attributable to EMEA while some growth was seen in the other two regions.

Royalty revenues from the sale of Growing Up Milk with *Lactobacillus reuteri* Protectis for children over the age of one, decreased by SEK 45.8 million compared to the previous year. The reason is that BioGaia's royalty agreement with Nestlé expired at year-end 2018. The agreement has been renegotiated which restricted the number of markets compared with the previous agreement. Royalty revenues from the previous collaboration agreement ceased at year-end in accordance with the original agreement and amounted to SEK 0 million (10.1), a decrease of SEK 10.1 million.

Sales of culture, at low margins, for use in Nestlé's infant formula increased slightly compared to the previous year.

ADULT HEALTH SEGMENT

Net sales in the Adult Health segment amounted to SEK 167.3 million (141.7), an increase of 18% (excluding foreign exchange effects, 12%), compared to the previous year. Product sales amounted to SEK 157.8 million (136.6), an increase of 16% (excluding foreign exchange effects, 10%).

Sales of BioGaia Protectis tablets increased compared to the previous year despite delivery delays. The increase was mainly attributable to APAC but also to EMEA and the Americas. So far, BioGaia Protectis tablets for adult health are only sold in small volumes in the Americas.

Sales of oral health products increased compared to the previous year. Sales increased in APAC primarily in Japan, while they decreased in EMEA due mainly to delivery delays.

Sales of BioGaia Gastrus stomach health tablets increased substantially compared to the previous year, although from a low level. The increase was primarily attributable to the Americas but also to APAC.

OTHER SALES

Other sales amounted to SEK 0.9 million (3.7), a decrease of SEK 2.8 million compared to the previous year.

SALES BY GEOGRAPHIC MARKET

Sales in EMEA amounted to SEK 399.6 million (437.9), a decrease of 9%. Sales within Paediatrics decreased due to lower royalty revenues.

In APAC, sales amounted to SEK 177.0 million (130.1), an increase of 36%. Sales showed a strong increase in both the Paediatrics and Adult Health segments.

In the Americas, sales amounted to SEK 191.8 million (173.9), an increase of 10%. Sales increased in both the Paediatrics and Adult Health segments.

THE BIOGAIA BRAND

Of finished consumer products (drops, gut health tablets, oral health lozenges, oral rehydration solution, etc.) sold in 2019, 71% (69%) were sold under the BioGaia brand including co-branding.

Gross margin, 2019

The total gross margin amounted to 73% (75%).

The gross margin for Paediatrics was 74% (76%). The lower gross margin was due to lower royalty revenues.

The gross margin within the Adult Health segment was 70% (71%).

Operating expenses, 2019

Operating expenses (selling, administrative and R&D expenses) for the core business (excluding the research-intensive subsidiaries BioGaia Pharma and MetaboGen) totalled SEK 292.6 million (268.5), an increase of 9%. The increase is attributable to marketing activities in a number of countries (including Sweden) as well as brand-related activities such as market surveys.

In addition, personnel expenses rose since the number of employees has increased.

The costs of a new ERP system (SEK 6.7 million) were capitalised and will be written off over a three-year period when it goes into operation at year-end.

R&D expenses increased mainly due to increased product development and laboratory costs due among other things to the new laboratory in Eslöv, Sweden

For some time now, the Group has included the two research-intensive subsidiaries BioGaia Pharma AB and MetaboGen AB. Expenses for these companies amounted to SEK 21.4 million (12.0).

Total operating expenses for the Group thus increased by 15% compared to the previous year.

Other operating expenses refers to exchange losses on receivables and liabilities of an operating nature. These amounted to SEK -7.5 million (-4.6). At 31 December 2019, the company had outstanding forward exchange contracts for EUR 12.6 million at an average exchange rate of SEK 10.53 and for USD 6.5 million at an average exchange rate of SEK 8.81. The actual exchange loss/gain depends on the exchange rate on the maturity dates of the contracts.



Share of profits of associates and revaluation of former associate shareholding

Until 6 April 2018, MetaboGen, see below, was an associated company in BioGaia. Share of profits of associates for 2018 refers to BioGaia's share (36%) of MetaboGen AB's profits up to 6 April 2018.

BioGaia increased its shareholding in MetaboGen from 36% to 62% on 6 April 2018. In a step acquisition, all previous equity interests in the acquiree are adjusted to fair value and all gains and losses thus arising are recognised in profit or loss. As a result of this, a gain of SEK 7.0 million was recognised in operating profit for 2018 regarding the former associate shareholding in MetaboGen.

Operating profit and operating margin, 2019

Operating profit amounted to SEK 242.5 million (270.4)¹⁾, a decrease of SEK 27.8 million (10%). The operating margin was 32% (36%)¹⁾.

Profit after tax, 2019

Profit after tax amounted to SEK 187.3 million (207.2)¹⁾, a decrease of SEK 20.0 million (10%).

The effective tax rate for the Group was 23% (23%).

Owing to the distribution and license agreement signed in Japan at the end of 2016, it will be possible to utilise a large share of the earlier loss carryforward in Japan in the Japanese company. The exclusivity fees relating to product rights will be recognised successively over the term of the agreement and a deferred tax asset was therefore recognised. At 31 December 2019, the deferred tax asset amounted to SEK 6.5 million (SEK 8.4 million at 31 December 2018).

Earnings per share, 2019

Earnings per share amounted to SEK 10.81 (11.99)¹⁾. No dilutive effects arose.

Balance sheet, 31 December 2019

Total assets amounted to SEK 665.9 million (660.0). During 2019 property, plant and equipment increased by SEK 20.3 million in the item right-of-use assets due to the new leasing standard IFRS 16. The new accounting standard also had an impact on liabilities of SEK 11.5 million in the item non-current liabilities and SEK 8.8 million in the item current liabilities. Investments in both tangible and intangible assets (the ERP system) further increased property, plant and equipment.

In addition, cash and cash equivalents decreased mainly due to dividends.

Cash flow, 2019

Cash flow amounted to SEK -72.3 million (-22.9). Cash flow includes a dividend of SEK 173.4 million (156.0) as well as a provision to the Foundation to Prevent Antibiotic Resistance of SEK 3.2 million (2.7). Furthermore, the decrease compared to last year is mainly related to lower cash flow from operating activities due partly to lower earnings and partly to higher tax payments, partly attributable to the previous year. Cash and cash equivalents at 31 December 2019 amounted to SEK 213.8 million (SEK 285.0 million at 31 December 2018).

Investments in property, plant and equipment

Investments in property, plant and equipment amounted to SEK 32.3 million (13.5). The increase is mainly attributable to increased investments related to production.

Parent Company

The Parent Company's net sales amounted to SEK 720.7 million (705.8) and profit before tax was SEK 199.6 million (229.6). The financial performance of the Parent Company is in all material respects in line with that of the Group.

Cash flow amounted to SEK -72.0 million (-46.5).

Subsidiary in Japan

BioGaia Japan is a wholly owned subsidiary of BioGaia AB. Net sales relating to the Japanese operations amounted to SEK 65.2 million (61.2). Operating profit for the Japanese operations amounted to SEK 10.7 million (7.0).

Subsidiary BioGaia Production AB

BioGaia Production is a wholly owned subsidiary of BioGaia AB that manufactures the company's products, primarily drops. Net sales amounted to SEK 122.8 million (104.2). Operating profit amounted to SEK 44.3 million (34.5).

Subsidiary CapAble AB

CapAble is a wholly owned subsidiary of BioGaia AB. The company was previously owned to 9.9% by CapAble's Managing Director but in February 2019 BioGaia acquired the remaining shareholding for SEK 1.

Net sales in CapAble amounted to SEK 0.8 million (1.7). Operating profit amounted to SEK -1.3 million (-0.6).

Subsidiary BioGaia Pharma AB

BioGaia Pharma is owned to 96% by BioGaia and 4% by the company's Managing Director. BioGaia Pharma was formed in 2017 to take advantage of the opportunities to develop drugs identified in the R&D activities conducted as part of BioGaia's normal business. The company does not yet have any revenues. Operating profit for the period was SEK -7.0 million (-4.7).

Subsidiary MetaboGen AB

MetaboGen is a research-driven company that was founded in 2011 in Gothenburg. The company's founders include Professor Fredrik Bäckhed at the University of Gothenburg and Professor Jens B. Nielsen at Chalmers University of Technology. These researchers still work with the company. MetaboGen conducts research in the microbiome area to find previously unknown components and patterns in the microbial diversity and link these to health and disease.

MetaboGen has been a subsidiary of BioGaia AB since 6 April 2018 (previously an associated company). MetaboGen is owned to 92% by BioGaia AB and 8% by the former owners. BioGaia will acquire the remaining 8% in the company within a three-year period when most agreed milestones are achieved. Since it is highly probable that BioGaia will acquire the remaining holding for the maximum amount of SEK 11.4 million, the company has recognised a non-current liability for the corresponding amount. Recognition took place in equity.

MetaboGen received a shareholder contribution of SEK 15.0 million from the Parent Company during 2019.

BioGaia has also initiated a research project with the University of Gothenburg and Chalmers University of Technology which involves costs of SEK 22 million over a three-year period. The project started in the third quarter of 2018.

The company does not yet have any sales revenue but part of the costs for a study on intrahepatic cholestasis of pregnancy (ICP) is funded by Ferring. Operating profit for operations in MetaboGen (including the above research project) amounted to SEK -14.4 million (-7.2).

1) Excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.



EMPLOYEES

The number of employees in the Group at 31 December 2019 amounted to 157 (143 at 31 December 2018).

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 2018 on pages 45 and 46 and in Notes 27 and 28. No significant changes in these risks and uncertainties are assessed to have taken place at 31 December 2019.

RELATED-PARTY TRANSACTIONS

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

Annwall & Rothschild Investment AB owns 740,668 class A shares and 229,332 class B shares, corresponding to 5.6% of the share capital and 31.8% of the voting rights in BioGaia AB. Annwall & Rothschild Investment AB is owned by Peter Rothschild and Jan Annwall. Peter Rothschild is Chairman of the Board of BioGaia AB and receives a director's fee of SEK 600 thousand per year. During the period January-December, Peter Rothschild received additional remuneration for significant working duties, in addition to his assignment on the Board, of SEK 1,460 thousand in accordance with the decision of the Annual General Meeting and the Board of Directors.

Further, during the period a dividend of SEK 10 per share was paid to Annwall & Rothschild Investment AB.

1) 1) Excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.



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

The accounting policies applied correspond to those presented in the 2018 annual report with the exception of those applying to "Leases" (IFRS 16 replaces IAS 17).

IFRS 16 Leases

IFRS 16 Leases was issued on 13 January 2016 and replaces IAS 17 Leases. IFRS 16 introduces a "right-of-use model" that requires the lessee to recognise almost all leases in the balance sheet, for which reason leases are no longer classified as operating or finance leases. The exceptions are leases that have a term of 12 months or less and leases where the underlying asset has a low value. In the income statement, the entity recognises depreciation on the asset and interest expenses on the liability. The standard contains more extensive disclosure requirements compared to the previous standard. For the lessor, IFRS 16 entails no real changes compared to IAS 17. IFRS 16 is applicable for financial years beginning on 1 January 2019 with earlier adoption permitted provided IFRS 15 is applied at the same time. The standard was endorsed by the EU in December 2016.

BioGaia applies IFRS 16 Leases with effect from 1 January 2019. BioGaia has carried out a review of all leasing and rental contracts. BioGaia has chosen the simplified transition method which means that on the date of initial application the right-of-use is set at an amount that corresponds to the lease liability. The right-of-use assets on the initial application date amount to SEK 24.8 million and leases with the highest materiality are rental contracts for the offices in Stockholm and Lund which amount to a total of SEK 19.7 million and expire at the latest in 2026. At 1 January 2019 the company's assets therefore increased by SEK 24.8 million and liabilities by a corresponding amount. At 31 December the Group's lease assets amounted to SEK 20.3 million which is recognised in the item right-of-use assets and liabilities amounted to SEK 11.4 million in non-current liabilities and SEK 8.9 million in current liabilities. For the period January-December 2019 an interest expense of SEK 0.6 million and an amortisation of SEK 6.1 million are recognised. In cash flow amortisation of the lease liability (SEK 4.5 million) is recognised as an item in cash flow from financing activities.

The Group as lessee

The Group assesses whether a contract is or contains a lease contract at the commencement date. The Group recognises a right-of-use and a corresponding lease liability for all leases in which the Group is the lessee. This does not apply, however, to short-term leases (defined as leases with a lease term of 12 months or less) and to leases where the underlying asset is of low value. For these leases the Group recognised lease payments as an operating expense on a straight-line basis over the lease term, if no other systematic method better reflects how the economic benefits from the underlying asset will be consumed by the lessee.

The lease liability is measured initially at the present value of lease payments not paid as of the commencement date, discounted by using the lease's implicit interest rate. If this interest rate cannot be easily identified, the Group uses the marginal borrowing rate. The marginal borrowing rate is the interest rate that a lessee would need to pay for financing through borrowing during a corresponding period and with corresponding security, for right-of-use of an asset in a similar economic environment.

Lease payments included in measurement of the lease liability include:

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

Non-current lease liabilities are recognised as a separate item and current lease liabilities are recognised together with other current liabilities.

The Group remeasures the lease liability (and makes a corresponding adjustment to the associated right-of-use) if:

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

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

- A lease contract is changed and the change is not recognised as a separate lease. In such cases, the lease liability is remeasured by discounting the changed lease payments with a changed discount rate.

The Group has not made any such adjustments in the periods presented.

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

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

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

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

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

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

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

Exchange rate differences

Most of the company's sales are denominated in foreign currency, primarily EUR but also USD and JPY. With unchanged exchange rates, compared with January-December in the previous year, net sales would have been SEK 39.1 million lower in 2019.



Consolidated statements of comprehensive income

(Amounts in SEK 000s)	Jan-Dec 2019	Jan-Dec 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales (Note 1)	768,347	741,870	207,616	209,673
Cost of sales	-204,349	-185,956	-53,432	-52,092
<i>Gross profit</i>	563,998	555,914	154,184	157,581
Selling expenses	-184,327	-153,109	-55,594	-46,259
Administrative expenses	-24,609	-27,653	-6,883	-6,886
Research and development expenses	-105,051	-99,742	-23,515	-29,822
Share of profits of associates	-	-500	-	-
Revaluation of former associate shareholding	-	7,004	-	-
Other operating expenses/operating income	-7,500	-4,555	-86	494
<i>Operating profit</i>	242,511	277,359	68,106	75,108
Interest income	416	641	152	367
Financial expenses	-668	-405	-52	-204
<i>Profit before tax</i>	242,259	277,595	68,206	75,271
Tax	-55,001	-63,362	-17,268	-18,318
PROFIT FOR THE PERIOD	187,258	214,233	50,938	56,953
<u>Items that may be subsequently reclassified to profit or loss</u>				
Gains/losses arising on translation of the statements of foreign operations	415	-187	208	85
Comprehensive income for the period	187,673	214,046	51,146	57,038
<u>Profit for the period attributable to:</u>				
Owners of the Parent Company	187,347	214,890	50,920	57,048
Non-controlling interests	-89	-657	18	-95
Comprehensive income for the period attributable to:	187,258	214,233	50,938	56,953
Owners of the Parent Company	187,762	214,703	51,128	57,133
Non-controlling interests	-89	-657	18	-95
Earnings per share				
Earnings per share (SEK) *)	10.81	11.99	2.94	3.29
Number of shares (thousands)	17,336	17,336	17,336	17,336
Average number of shares (thousands)	17,336	17,336	17,336	17,336

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



CONSOLIDATED BALANCE SHEETS

Summary (Amounts in SEK 000s)

	31 Dec 2019	31 Dec 2018
ASSETS		
Property, plant and equipment	128,747	105,935
R&D projects in progress	52,558	45,850
Goodwill	5,300	5,300
Right-of-use assets (Note 2)	20,295	-
Deferred tax assets	6,518	8,430
Other non-current receivables	44	43
<i>Total non-current assets</i>	213,462	165,558
Current assets excl. cash and cash equivalents	238,607	209,453
Cash and cash equivalents	213,831	284,962
<i>Total current assets</i>	452,438	494,415
TOTAL ASSETS	665,900	659,973
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent Company	507,872	504,982
Non-controlling interests	2	3,139
Total equity (Note 3)	507,874	508,121
Deferred tax liability	10,339	6,679
Non-current liabilities	22,887	-
Current liabilities	124,800	145,173
TOTAL LIABILITIES AND EQUITY	665,900	659,973

Other current liabilities include forward exchange contracts with a fair value of SEK 2.5 million (7.0). 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 2018 Annual Report. The fair values of other receivables, cash and cash equivalents, trade payables and other liabilities are estimated to be equal to their carrying amounts (amortised cost) due to the short maturity.

CONSOLIDATED CASH FLOW STATEMENTS

Summary (Amounts in SEK 000s)

	Jan-Dec 2019	Jan-Dec 2018	Oct-Dec 2019	Oct-Dec 2018
Operating activities				
Operating profit	242,511	277,359	68,106	75,108
Depreciation/amortisation	15,593	7,546	4,078	1,931
Unrealised gains/losses on forward contracts	5,085	6,098	0	-2,581
Revaluation of former associate shareholding in MetaboGen	-	-7,004	-	-
Other non-cash items	-2,010	1,497	-629	2,053
Paid tax	-72,292	-52,408	-21,550	-14,072
Interest received and paid	-253	240	99	168
Cash flow from operating activities before changes in working capital	188,634	233,328	50,104	62,607
Changes in working capital	-40,779	-50,208	-33,000	-32,903
Cash flow from operating activities	147,855	183,120	17,104	29,704
Acquisition of property, plant and equipment	-32,316	-13,454	-12,495	-2,873
Sale of property, plant and equipment	-	75	-	75
Acquisition of intangible assets	-6,708	-	-2,336	-
Acquisition of subsidiary	-	-33,922	-	-
Cash flow from investing activities	-39,024	-47,301	-14,831	-2,798
Dividend	-173,365	-156,028	0	-
Net change in lease liability	-4,525	-	558	-
Provision to the Foundation to Prevent Antibiotic Resistance	-3,200	-2,700	0	-
Cash flow from financing activities	-181,090	-158,728	558	0
Cash flow for the period	-72,259	-22,909	2,831	26,906
Cash and cash equivalents at the beginning of the period	284,962	305,856	212,953	257,491
Exchange differences in cash and cash equivalents	1,128	2,015	-1,953	565
Cash and cash equivalents at the end of the period	213,831	284,962	213,831	284,962



NOTE 1 REPORTING BY SEGMENT – GROUP

Executive Management has analysed the Group's internal reporting system and established that the Group's operations are governed and evaluated based on the following segments:

- **Paediatrics segment** (drops, gut health tablets, oral rehydration solution (ORS) and cultures to be used as ingredients in licensee products (such as infant formula) as well as royalty revenues for paediatric products.)
- **Adult Health segment** (gut health tablets, oral health lozenges and cultures as an ingredient in a licensee's dairy products as well as royalty revenues for Adult Health products).
- **Other segment** (Smaller segments such as revenue from packaging solutions.)

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

	Jan-Dec 2019	Jan-Dec 2018	Oct-Dec 2019	Oct-Dec 2018
Revenue by segment (SEK 000s)				
Paediatrics	600,090	596,457	157,378	157,981
Adult Health	167,321	141,680	49,920	49,103
Other	937	3,733	319	2,589
Total	768,347	741,870	207,616	209,673
Gross profit by segment				
Paediatrics	445,676	451,636	119,614	119,717
Adult Health	117,385	100,711	34,251	35,275
Other	937	3,567	319	2,589
Total	563,998	555,914	154,184	157,581
Selling, administrative and R&D expenses	-313,987	-280,504	-85,992	-82,967
Share of profits of associates	-	-500	-	-
Revaluation of former associate shareholding	-	7,004	-	-
Other operating expenses	-7,500	-4,555	-86	494
Operating profit	242,511	277,359	68,106	75,108
Net financial items	-252	236	100	163
Profit before tax	242,259	277,595	68,206	75,271
Sales by geographic market				
Asia Pacific				
Paediatrics	72,991	49,303	19,560	17,014
Adult Health	103,839	80,599	35,416	28,793
Other	129	172	61	0
Total Asia Pacific	176,960	130,074	55,038	45,807
EMEA				
Paediatrics	346,536	379,144	97,105	98,282
Adult Health	52,229	55,177	9,699	18,426
Other	807	3,555	257	2,589
Total EMEA	399,573	437,876	107,062	119,297
Americas				
Paediatrics	180,562	168,010	40,712	42,685
Adult Health	11,252	5,904	4,804	1,884
Other	0	6	0	0
Total Americas	191,814	173,920	45,516	44,569
Total	768,347	741,870	207,616	209,673
Date of recognition				
Performance obligations met on specific date (Product sales)				
Paediatrics	585,090	523,537	152,378	139,080
Adult Health	157,811	136,606	45,823	46,658
Other	129	2,005	61	1,827
Total	743,030	662,148	198,261	187,565
Performance obligations met over time (Royalty)				
Paediatrics	15,000	72,920	5,000	18,901
Adult Health	9,509	5,074	4,097	2,445
Other	807	1,728	258	762
Total	25,317	79,722	9,355	22,108
Total	768,347	741,870	207,616	209,673



NOTE 2 – CHANGE IN ACCOUNTING STANDARD – IFRS 16

Effects on assets, liabilities and equity, 1 January 2019

	Recognised balance sheet items 1 January 2019	Recalculation to IFRS 16	Recalculated balance sheet items 1 January 2019
Right-of-use assets	0	24,820	24,820
Non-current liabilities			
Lease liabilities		-17,254	-17,254
Current liabilities			
Lease liabilities		-7,566	-7,566
Undertaking for operating leases at 31 December 2018	27,017		
Discount effect	-2,197		
Recognised lease liability opening balance, 1 January 2019	24,820		

The company has used a weighted average marginal borrowing rate of 3% when determining the lease liability in the opening balance at 1 January 2019.

Effect on income statement due to change of accounting standard

	Jan-December 2019 according to IAS 17		Reclassification	Jan-December 2019 according to IFRS 16	
Interest expenses	-322,121		634	-321,487	
Net financial items	382		-634	-252	

Amortisation increased by SEK 6,028 thousand while rental/lease costs decreased by a corresponding amount. Both are included in the item administrative expenses

NOTE 3 SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in SEK 000s)	Jan-Dec 2019	Jan-Dec 2018
Opening balance	508,121	463,888
Remeasurement under IFRS 9	-	-313
Opening balance after change of accounting standard	508,121	463,575
Dividend	-173,365	-156,028
Provision to the Foundation to Prevent Antibiotic Resistance ¹⁾	-3,200	-2,700
Non-controlling interests related to the acquisition of MetaboGen and CapAble	89	17,062
Transaction between owners related to further acquisition of shares in MetaboGen	-11,444	-27,834
Comprehensive income for the period	187,673	214,046
Opening balance	507,874	508,121

LARGEST SHAREHOLDERS IN BIOGAIA AT 31 DECEMBER 2019 (source: Euroclear)

	A shares 000s	B shares 000s	Share capital SEK 000s	No. of votes 000s	Capital %	Votes %
1 Annwall & Rothschild Inv. AB	741	229	970	7,636	5.6%	31.8%
2 Fjärde AP-fonden		1,496	1,496	1,496	8.6%	6.2%
3 Swedbank Robur fonder		1,415	1,415	1,415	8.2%	5.9%
4 State Street Bank & Trust co		1,315	1,315	1,315	7.6%	5.5%
5 Öhman Bank S.A		987	987	987	5.7%	4.1%
6 BNY Mellon SA/NV (Former BNY)		565	565	565	3.3%	2.3%
7 Banque Pictet & Cie		451	451	451	2.6%	1.9%
8 David Dangoor		449	449	449	2.6%	1.9%
9 Handelsbanken fonder		370	370	370	2.1%	1.5%
10 JP Morgan Chase N.A		360	360	360	2.1%	1.5%
Other shareholders		8,959	8,959	8,959	51.6%	37.4%
Total:	741	16 596	17 336	24 002	100%	100%



CONSOLIDATED KEY RATIOS

	Jan-Dec 2019	Jan-Dec 2018
Net sales, SEK 000s	768,347	741,870
Growth,%	4%	21%
Operating profit, SEK 000s	242,511	277,359
Profit after tax, SEK 000s	187,258	214,233
Return on		
- average equity	37%	44%
- average capital employed	47%	57%
Capital employed, SEK 000s	518,213	514,800
Number of shares (thousands) 1)	17,336	17,336
Average number of shares (thousands)	17,336	17,336
Earnings per share (SEK) ^{1) 2) 3)}	10.81	11.99
Equity per share (SEK) ¹⁾	29.30	29.13
Equity/assets ratio	76%	77%
Operating margin	32%	37%
Profit margin	32%	37%
Average number of employees	149	130

1) No dilutive effects arose

2) Key ratio defined according to IFRS

3) Figures for 2018, excluding revaluation of former associate shareholding in MetaboGen of SEK 7.0 million.

Definition 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.
Operating margin (EBIT margin)	Operating profit expressed as a percentage of net sales.	The operating profit 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.	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.
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.
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-Dec 2019	Jan-Dec 2018
Return on average equity		
Profit attributable to owners of the Parent Company (A)	187,347	214,890
Equity attributable to owners of the Parent Company	507,872	504,982
Average equity attributable to owners of the Parent Company (B)	506,427	484,444
Return on equity (A/B)	37%	44%

	Jan-Dec 2019	Jan-Dec 2018
Return on average capital employed		
Operating profit	242,511	277,359
Financial income	416	641
Profit before net financial items + financial income (A)	242,927	278,000
Total assets	665,900	659,973
Interest-free liabilities	-147,687	-145,173
Capital employed	518,213	514,800
Average capital employed (B)	516,507	490,279
Return on capital employed (A/B)	47%	57%



Definition of key ratios, continued

	31 Dec 2019	31 Dec 2018
Equity/assets ratio		
Equity (A)	507,874	508,121
Total assets (B)	665,900	659,973
Equity/assets ratio (A/B)	76%	77%

	Jan-Dec 2019	Jan-Dec 2018
Operating margin		
Operating profit (A)	242,511	277,359
Net sales (B)	768,347	741,870
Operating margin (A/B)	32%	37%

	Jan-Dec 2019	Jan-Dec 2018
Profit margin		
Profit before tax (A)	242,259	277,595
Net sales (B)	768,347	741,870
Profit margin (A/B)	32%	37%

	31 Dec 2019	31 Dec 2018
Equity per share		
Equity attributable to owners of the Parent Company (A)	507,872	504,982
Average number of shares (B)	17,336	17,336
Equity per share (A/B)	29.30	29.13

Change in sales by segment (including and excluding foreign exchange effects)

	Paediatrics		Adult Health		Other		Total	
	Jan-Dec	Oct-Dec	Jan-Dec	Oct-Dec	Jan-Dec	Oct-Dec	Jan-Dec	Oct-Dec
	2019	2019	2019	2019	2019	2019	2019	2019

(Amounts in SEK 000s)

Description

A	Previous year's net sales according to the average rate							
	596,457	157,981	141,680	49,103	3,733	2,589	741,870	209,673
B	Net sales for the year according to the average rate							
	600,090	157,378	167,321	49,920	937	319	768,347	207,616
C	Recognised change (B-A)							
	3,633	-603	25,641	817	-2,796	-2,270	26,477	-2,057
	Percentage change (C/A)							
	1%	0%	18%	2%	-75%	-88%	4%	-1%
D	Net sales for the year according to the previous year's average rate (D)							
	569,396	151,292	158,874	47,988	937	319	729,206	199,598
E	Foreign exchange effects (C-F)							
	30,694	6,086	8,447	1,932	0	0	39,141	8,018
	Percentage change (E/A)							
	5%	4%	6%	4%	0%	0%	5%	4%
F	Organic change (D-A)							
	-27,061	-6,689	17,194	-1,115	-2,796	-2,270	-12,664	-10,075
	Organic change per cent (F/A)							
	-5%	-4%	12%	-2%	-75%	-88%	-2%	-5%

Average key exchange rates

	Jan-Dec 2019	Oct-Dec 2019	Jan-Dec 2018	Oct-Dec 2018
EUR	10.59	10.66	10.26	10.32
USD	9.46	9.63	8.69	9.04
JPY	8.68	8.86	7.87	8.01

Key exchange rates on closing date

	31 Dec 2019	31 Dec 2018
EUR	10.43	10.28
USD	9.32	8.97
JPY	8.53	8.12

Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
(Amounts in SEK 000s)				
Floating charges	2,000	2,000	2,000	2,000
Total	2,000	2,000	2,000	2,000
Contingent liabilities	None	None	None	None



PARENT COMPANY INCOME STATEMENT

(Amounts in SEK 000s)

	Jan-Dec 2019	Jan-Dec 2018
Net sales	720,730	705,762
Cost of sales	-246,478	-219,991
<i>Gross profit</i>	474,252	485,771
Selling expenses	-153,320	-130,219
Administrative expenses	-23,523	-23,547
R&D expenses	-90,920	-91,834
Other operating expenses	-7,451	-4,625
<i>Operating profit</i>	199,038	235,546
Impairment loss on shares in subsidiary	-1,297	-7,465
Net financial items	1,885	1,480
Profit before tax	199,626	229,561
Tax	-36,948	-53,962
PROFIT FOR THE PERIOD	162,678	175,599

PARENT COMPANY BALANCE SHEET

(Amounts in SEK 000s)

	31 Dec 2019	31 Dec 2018
ASSETS		
Property, plant and equipment	6,949	5,218
Shares in group companies	6,708	-
Shares in associates	154,671	109,902
Non-current receivables from subsidiaries	35,835	45,835
<i>Total non-current assets</i>	204,163	160,955
Current assets excl. cash and cash equivalents	207,674	188,052
Cash and cash equivalents	153,217	224,732
<i>Total current assets</i>	360,891	412,784
TOTAL ASSETS	565,054	573,739
EQUITY AND LIABILITIES		
Equity	128,838	450,102
Interest-free current liabilities	565,054	123,637
TOTAL LIABILITIES AND EQUITY	565,054	573,739

PARENT COMPANY CASH FLOW STATEMENT

(Amounts in SEK 000s)

	Jan-Dec 2019	Jan-Dec 2018
Operating activities		
Operating profit	199,038	235,546
Depreciation	1,458	950
Other non-cash items	-1,773	-1,851
Forward exchange contracts	5,085	6,098
Tax paid	-59,401	-48,100
Interest received and paid	1,886	1,480
Cash flow from operating activities before changes in working capital	146,293	194,123
Changes in working capital	-26,822	-44,381
Cash flow from operating activities	119,471	149,742
Acquisition of intangible assets	-6,708	-
Acquisition of property, plant and equipment	-3,189	-2,093
Sale of property, plant and equipment	-	75
Acquisition of financial assets	-15,000	-45,523
Repayment of loan from subsidiary	10,000	10,000
Cash flow from investing activities	-14,897	-37,541
Dividend	-173,364	-156,028
Provision to Foundation to Prevent Antibiotic Resistance	-3,200	-2,700
Cash flow from financing activities	-176,564	-158,728
Cash flow for the period	-71,990	-46,527
Cash and cash equivalents at beginning of the period	224,732	270,050
Exchange rate differences in cash and cash equivalents	475	1,209
Cash and cash equivalent at end of the period	153,217	224,732



PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(Amounts in SEK 000s)

	Jan-Dec 2019	Jan-Dec 2018
Opening balance	450,102	433,231
Dividend	-173,365	-156,028
Provision to Foundation to Prevent Antibiotic Resistance	-3,200	-2,700
Profit for the period	162,678	175,599
Closing balance	436,215	450,102



FINANCIAL CALENDAR

6 February 2020, 09:30 CET	Teleconference with CEO Isabelle Ducellier. To take part in the conference, please see https://financialhearings.com/event/12158 for telephone numbers. The teleconference can also be followed at https://tv.streamfabriken.com/biogaia-q4-2019 .
March 2020	Annual Report 2019
7 May 2020	Interim Management Statement 1 January – 31 March 2020
7 May 2020, 16:00 CET	BioGaia AGM in the Swedish Society of Medicine's premises, Klara Östra Kyrkogata 10, in Stockholm
13 August 2020	Interim Report 1 January – 30 June 2020
23 October 2020	Interim Management Statement 1 January – 30 September 2020

Stockholm, 6 February 2020

Peter Rothschild
Chairman of the Board

Ewa Björling
Board member

David Dangoor
Board member

Peter Elving
Board member

Inger Holmström
Board member

Anthon Jahreskog
Board member

Brit Stakston
Board member

Isabelle Ducellier
CEO

Auditor's report on the review of the interim financial information (year-end report)

Introduction

We have reviewed the accompanying condensed interim financial statements of BioGaia AB (publ) at 31 December 2019 and for the twelve-month period then ended. The Board of Directors and the CEO are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISA (International Standards on Auditing) 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 accompanying condensed interim financial information does not, in all material aspects, give a true and fair view of the financial position of the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and of the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, 6 February 2020

Deloitte AB

Birgitta Lööf
Authorised Public Accountant



BIOGAIA AB

The company

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

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

BioGaia has 157 employees, of whom 131 are based in Sweden (Stockholm, Lund, Eslöv and Gothenburg), two in the USA, three in Singapore and 21 in Japan.

Business model

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

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

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

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

The BioGaia brand

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

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

BioGaia's licensees add *Lactobacillus reuteri* culture to their products and sell these under their own brands. 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 *Lactobacillus reuteri* are some of the world's most well researched probiotics, especially in studies with young children. To date, 217 clinical studies using BioGaia's human strains of *Lactobacillus reuteri* have been performed on around 18,000 individuals of all ages.

Studies have been performed related to:

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

Latest press releases from BioGaia:

20 December 2019 BioGaia AB signs exclusive agreement in Tunisia
28 October 2019 Alexander Kotsinas new CFO of BioGaia AB
23 October 2019 BioGaia AB Interim Management Statement 1 January – 30 September 2019

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