

Year-end report

JANUARY – DECEMBER 2021





FOURTH QUARTER 2021

Net sales amounted to SEK 206.2 million (187.6), an increase of 10% (excluding foreign exchange effects, 11%).

Net sales in the Paediatrics segment reached SEK 150.1 million (139.6), an increase of 8%.

Net sales in the Adult Health segment amounted to SEK 55.2 million (47.3), an increase of 17%.

Operating expenses amounted to SEK 105.9 million (94.7), an increase of 12%. Operating expenses included costs of evaluation of acquisition candidates of SEK 6.7 million and restructuring costs of SEK 5.7 million. Excluding these costs, operating expenses amounted to SEK 93.6 million, a decrease of 1%.

Operating profit increased by 17% to SEK 53.1 million (45.3), which corresponds to an operating margin of 26% (24%).

Profit after tax was SEK 38.3 million (38.5), a decrease of 0.5%. Earnings per share amounted to SEK 1.90 (2.02) before and after dilution.

Cash flow amounted to SEK -43.6 million (1,177.6).

Cash and cash equivalents at 31 December 2021 amounted to SEK 1,484.7 million (1,467.9).

Key events in the fourth quarter of 2021

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

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

JANUARY – DECEMBER 2021

Net sales amounted to SEK 785.1 million (747.1), an increase of 5% (excluding foreign exchange effects, 12%).

Net sales in the Paediatrics segment reached SEK 603.7 million (583.1), an increase of 4%.

Net sales in the Adult Health segment amounted to SEK 176.9 million (161.2), an increase of 10%.

Operating expenses amounted to SEK 329.2 million (318.8), an increase of 3%. Operating expenses included costs of evaluation of acquisition candidates of SEK 9.3 million and restructuring costs of SEK 13.1 million. Excluding these costs, operating expenses amounted to SEK 306.9 million, a decrease of 4%.

Operating profit increased by 11% to SEK 253.7 million (228.2), which corresponds to an operating margin of 32% (31%).

Profit after tax amounted to SEK 196.3 million (179.7), an increase of 9%.

Earnings per share amounted to SEK 9.72 (10.07) before and after dilution.

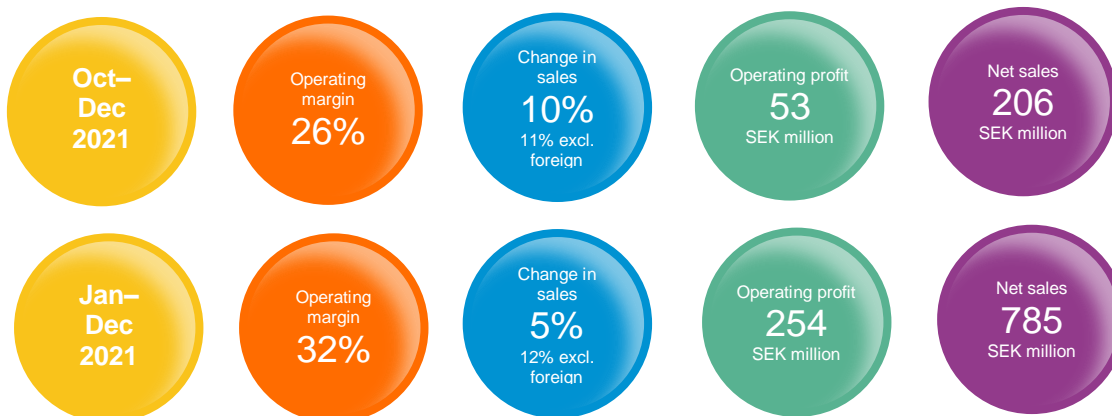
Cash flow amounted to SEK 13.1 million (1,256.6).

Cash and cash equivalents at 31 December 2021 amounted to SEK 1,484.7 million (1,467.9).

In accordance with the dividend policy, the Board proposes that the upcoming Annual General Meeting on 6 May 2022 approves an ordinary dividend according to policy of SEK 3.63 (3.41) per share plus an extra dividend of SEK 11.29 (0) per share resulting in a total dividend of SEK 14.92 (3.41) per share corresponding to SEK 301.3 million (68.8). The extra dividend corresponds to an extra dividend of SEK 3.63 per share for 2021 and the cancelled extra dividend due to the covid-19 situation at the time of SEK 4.25 per share for 2019 and SEK 3.41 per share for 2020. The Board further proposes a provision to the Foundation to Prevent Antibiotic Resistance of SEK 2.9 million (2.8). The Board further proposes a 5:1 split of common shares (class A and B shares).

Key events after the end of the fourth quarter

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



	Oct-Dec 2021	Oct-Dec 2020
Net sales, SEK 000s ²⁾	206,163	187,610
Growth in net sales	10%	-10%
Operating profit, SEK 000s	53,090	45,250
Operating margin	26%	24%
Profit after tax, SEK 000s	38,275	38,467
Number of shares, thousands	20,196	20,196
Earnings per share, before and after dilution, SEK ^{1) 2)}	1.90	2.02

- 1) A bonus issue element from the 2020 new issue has been taken into account in the calculation of earnings per share before and after dilution, which means that comparative figures have been recalculated.
- 2) Key ratio defined according to IFRS. For definitions of other key ratios, see page 15.

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 agency of the CEO, at 8:00 a.m. CET on 4 February 2022.

**BioGaia AB (publ) Year-end report 2021**

The Board of Directors and the CEO of BioGaia AB hereby present the year-end report for 2021.

CEO'S COMMENTS

Despite the pandemic, 2021 was a good year for BioGaia with sales growth of 5%, or 12% excluding foreign exchange effects. We are particularly pleased with the sales trend for our Adult Health segment, which grew 10% (excluding foreign exchange effects, 16%) aligned with our strategic focus to offer BioGaia's probiotics at every stage of life. Our Paediatrics segment grew 4% (excluding foreign exchange effects, 10%).

We are very satisfied with sales in APAC, which noted growth of 26%, primarily from online sales in China, e-commerce sales in Japan, positive demographic trends in countries such as Indonesia and Vietnam and sales in Australia. The Americas are again growing, by an impressive 15%, with sales in the USA exceeding SEK 100 million on a full-year basis for the first time in BioGaia's history, which demonstrates the relevance of our omnichannel strategy. Latin America has been heavily impacted by the pandemic, but our distributors, mainly Aché in Brazil and Abbott in the rest of Latin America, have shown endurance and creativity in gaining market share. EMEA was also heavily impacted during the first two quarters from recurring lock-downs, which affected our sales at pharmacies and led to difficulties for our distributors in meeting their customers. Over the past six months, the sales trend has been encouraging with an increase of 22%, driven by our efforts in Italy and our "back to school" campaigns at pharmacies and online.

As I look back on 2021, three areas in particular spring to mind. The first is naturally the ongoing pandemic. Even if the pandemic is now under more control from a health perspective, it still results in uncertainty and restrictions that require flexibility and measures to minimise risk in order to continue developing the business both internally for our employees and externally for our customers and partners.

The second area is our efforts to create an even more consumer-centric organisation. We have now completed our reorganisation with the creation of our consumer marketing department to strengthen BioGaia's global brand and our own BioGaia Digital department to accelerate our route to the market through marketplaces such as Amazon or our own e-commerce solution.

The third area is that we have modified and strengthened our business model in several markets. The acquisition of our American distributor in December has brought us closer to consumers and offers us a greater presence in the world's largest probiotics market and means we can decide ourselves how much we want to invest to foster growth. We assumed control of marketing and distribution under our own management in Sweden (in January) and the UK (in November). In Finland, which is a traditionally strong probiotics market, we also took control of marketing and distribution under our own management (in April) and could therefore launch our established product portfolio under our own BioGaia brand.

All of this was made possible by our colleagues around the world, who are focusing on achieving BioGaia's aim to make probiotics with a scientifically proven effect on health and wellbeing available to everyone.

But naturally, none of this would have been possible without our invisible heroes, our patented bacteria that show in clinical study after clinical study their undisputed superiority in a number of indications.



Isabelle Ducellier
President and CEO BioGaia
4 February 2022



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 2022, at 9:30 a.m. CET with CEO Isabelle Ducellier and CFO Alexander Kotsinas. To participate in the teleconference, please call +46 8 505 583 66. More information about the teleconference is available here: <https://financialhearings.com/event/41584>



Revenue

SEKm	Oct-Dec 2021	Oct-Dec 2020	Change
Paediatrics	150.1	139.6	8%
Adult Health	55.2	47.3	17%
Other	0.9	0.7	30%
Total	206.2	187.6	10%

	Jan-Dec 2021	Jan-Dec 2020	Change
	603.7	583.1	4%
	176.9	161.2	10%
	4.6	2.8	64%
Total	785.1	747.1	5%

SEKm	Oct-Dec 2021	Oct-Dec 2020	Change
EMEA	85.0	83.5	2%
APAC	73.3	54.2	35%
Americas	47.9	49.9	-4%
Total	206.2	187.6	10%

	Jan-Dec 2021	Jan-Dec 2020	Change
	335.8	372.6	-10%
	214.5	170.7	26%
	234.9	203.7	15%
Total	785.1	747.1	5%

SALES FOURTH QUARTER

Figures in parentheses refer to the corresponding period last year. Consolidated net sales amounted to SEK 206.2 million (187.6), which is an increase of SEK 18.6 million (10%) (excluding foreign exchange effects, 11%) compared to the fourth quarter of last year.

Sales in EMEA totalled SEK 85.0 million (83.5), an increase of 2%, which was due to increased sales within the Paediatrics segment while sales within the Adult Health segment declined. Sales within Paediatrics increased primarily in Italy and Eastern Europe. The lower sales within Adult Health were mainly attributable to Finland and France.

Sales in APAC amounted to SEK 73.3 million (54.2), an increase of 35%. The increase was attributable to the Paediatrics and Adult Health segments. Sales within Adult Health increased primarily in Hong Kong, Japan and Indonesia. In the Paediatrics segment, sales increased mainly in China and Indonesia.

Sales in the Americas amounted to SEK 47.9 million (49.9), a decrease of 4%, which was due to lower sales in the Paediatrics segment while sales in the Adult Health segment increased. The lower sales within Paediatrics were mainly attributable to Brazil. The increase within Adult Health was primarily attributable to Mexico.

NET SALES BRIDGE FOURTH QUARTER

SEKm		Change
2020	187.6	
Foreign exchange	-2.9	-2%
Organic growth	21.5	11%
2021	206.2	10%

SALES JANUARY – DECEMBER

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

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

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

Sales in the Americas totalled SEK 234.9 million (203.7), an increase of 15%, which was due to increased sales within the Paediatrics and Adult Health segments. The increased sales within both segments were mainly attributable to the USA.

NET SALES BRIDGE JANUARY – DECEMBER

SEKm		Change
2020	747.1	
Foreign exchange	-50.1	-7%
Organic growth	88.1	12%
2021	785.1	5%



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 2021	Oct-Dec 2020	Change
Products	147.7	137.6	7%
Royalties	2.4	2.0	21%
Total	150.1	139.6	8%

	Jan-Dec 2021	Jan-Dec 2020	Change
	595.4	570.8	4%
	8.3	12.3	-32%
	603.7	583.1	4%

SALES FOURTH QUARTER

Figures in parentheses refer to the corresponding period last year. Sales in the Paediatrics segment amounted to SEK 150.1 million (139.6), an increase of 8% (excluding foreign exchange effects, 9%).

Sales of BioGaia Protectis drops decreased slightly compared to the corresponding period last year. Sales decreased in the Americas and EMEA while they increased in APAC. In the Americas, sales decreased primarily in the USA and Brazil. In EMEA, sales decreased mainly in Turkey and France. In APAC, sales increased primarily in China and Indonesia.

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

SALES JANUARY – DECEMBER

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

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

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



Adult Health



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 2021	Oct-Dec 2020	Change
Products	49.9	42.6	17%
Royalties	5.3	4.8	11%
Total	55.2	47.3	17%

	Jan-Dec 2021	Jan-Dec 2020	Change
	155.4	148.6	5%
	21.5	12.6	71%
Total	176.9	161.2	10%

SALES FOURTH QUARTER

Figures in parentheses refer to the corresponding period last year. Sales in the Adult Health segment amounted to SEK 55.2 million (47.3), an increase of 17% (excluding foreign exchange effects, 18%).

Sales of BioGaia Protectis tablets increased compared to the corresponding period last year. Sales increased in APAC and the Americas, but decreased in EMEA. Sales increased mainly in Hong Kong and Indonesia, which was partly offset by a decrease in sales in EMEA, particularly in Finland.

Sales of BioGaia Gastrus decreased compared to the corresponding period last year. Sales decreased primarily in France and the USA, which was partly offset by higher sales in Japan and China.

Sales of BioGaia Prodentis increased in all regions compared to the corresponding period last year. Sales increased mainly in Japan, Germany and China, which was partly offset by a decrease in sales in South Korea.

SALES JANUARY – DECEMBER

Figures in parentheses refer to the corresponding period last year. Sales in the Adult Health segment amounted to SEK 176.9 million (161.2), an increase of 10% (excluding foreign exchange effects, 16%).

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

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

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



Earnings

FOURTH QUARTER

Gross margin

Figures in parentheses refer to the corresponding period last year. The total gross margin for the quarter amounted to 77% (75%). The increase in gross margin is mainly due to a positive product mix and efficiency improvements. The gross margin for the Paediatrics segment amounted to 79% (76%). The gross margin for the Adult Health segment amounted to 73% (70%).

Operating expenses and operating profit

Operating expenses amounted to SEK 105.9 million (94.7), an increase of SEK 11.2 million (12%). Excluding other operating expenses (exchange losses/gains) operating expenses increased by 26%. Operating expenses included costs for evaluating acquisition candidates of SEK 6.7 million (0.0), restructuring costs (relating to personnel) of SEK 6.5 million (0.0) and the revaluation of right-of-use assets linked to a rental contract for premises in Lund of SEK -0.8 million (0.0).

Excluding costs for the evaluation of acquisition candidates, restructuring costs and the revaluation of right-of-use assets linked to a rental contract for premises in Lund, operating expenses totalled SEK 93.6 million (94.7), a reduction of SEK 1.1 million (-1%).

Selling expenses amounted to SEK 66.6 million (49.7), an increase of 34%, mainly due to increased marketing activities and higher personnel costs linked to restructuring (SEK 6.5 million) and due to a higher number of employees.

R&D expenses amounted to SEK 30.5 million (29.6), an increase of 3%. R&D expenses include costs for the subsidiaries MetaboGen AB and BioGaia Pharma AB of SEK 6.3 million (8.3). The increase in R&D expenses excluding costs for MetaboGen AB and BioGaia Pharma AB are mainly attributable to higher study expenses during the period.

Administrative expenses amounted to SEK 12.2 million (7.2), an increase of 68%. The increase in administrative expenses is mainly attributable to higher costs for evaluation of acquisition candidates (SEK 6.7 million).

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK -3.3 million (8.2).

Operating profit amounted to SEK 53.1 million (45.3), an increase of 17%. The operating margin was 26% (24%).

Operating profit excluding costs for the evaluation of acquisition candidates, restructuring costs and the revaluation of right-of-use assets linked to a rental contract totalled SEK 65.4 million, an increase of SEK 20.2 million (45%). The operating margin excluding costs for the evaluation of acquisition candidates, restructuring costs and the revaluation of right-of-use assets linked to a rental contract totalled 32% (24%).

Profit after tax and earnings per share

Profit after tax amounted to SEK 38.3 million (38.5) a decrease of 0.5%. The effective tax rate was 27% (15%).

Earnings per share amounted to SEK 1.90 (2.02). There are no dilutive effects.

JANUARY – DECEMBER

Gross margin

Figures in parentheses refer to the corresponding period last year. The total gross margin amounted to 74% (73%). The gross margin for the Paediatrics segment amounted to 76% (74%). The gross margin for the Adult Health segment amounted to 68% (70%).

Operating expenses and operating profit

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

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

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

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

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

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

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

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

Profit after tax and earnings per share

Profit after tax amounted to SEK 196.3 million (179.7), an increase of 9%. The effective tax rate was 22% (21%).

Earnings per share amounted to SEK 9.72 (10.07). There are no dilutive effects.

Parent Company

The Parent Company's net sales amounted to SEK 732.0 million (699.3) and profit before tax was SEK 185.9 million (174.7). Impairment was recognised of shares in a subsidiary corresponding to the group contribution for the year. The financial performance of the Parent Company is in all material respects in line with that of the Group.



Balance sheet and cash flow

BALANCE SHEET 31 DECEMBER 2021

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

Since year-end, trade receivables have increased while inventories and trade payables have decreased. Financial assets have increased due to the acquisition of shares in Boneprox AB and Skinome AB. Goodwill has increased through the acquisition of Nutraceutics Inc. For more information about the acquisition, refer to Note 4.

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

CASH FLOW FOURTH QUARTER

Cash flow amounted to SEK -43.6 million (1,177.6) for the quarter.

Cash flow from operating activities amounted to SEK 56.3 million (54.6). The increase in cash flow in operations compared with the year-earlier period is due to higher operating profit while change in working capital had a negative impact.

Investments in property, plant and equipment amounted to SEK 3.2 million (2.0). Investments in financial assets of SEK 86.9 million relate to the acquisition of Nutraceutics Inc.

Cash and cash equivalents at 31 December 2021 amounted to SEK 1,484.7 million (1,467.9).

CASH FLOW JANUARY – DECEMBER

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

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

Other disclosures

EMPLOYEES

The number of employees in the Group at 31 December 2021 was 167 (160 at 31 December 2020).

The company has an incentive programme for all employees based partly on the company's sales and profit and partly on qualitative targets. The maximum bonus is equal to 12% of annual salary. In addition to this programme BioGaia has also implemented a subscription warrants programme as resolved by the 2021 Annual General Meeting. The programme involves the issue of a maximum of 365,000 warrants where each warrant shall entitle the holder during the period from 6 July 2024 through 6 November 2024 to subscribe for one new Class B share in BioGaia for a subscription price per share that amounts to SEK 578.2. The employees have been invited to purchase the warrants at an amount of SEK 55.6 which is the market value determined by an external valuation expert. A total of 89,730 warrants were subscribed for in the second quarter, which resulted in an additional equity injection of SEK 5.0 million and a possible dilution of existing shareholders of 0.4%. In the fourth quarter, 4,500 warrants were repurchased. The programme also includes a stay-on bonus extending over a three-year period. For other terms and conditions relating to the programme, see the Board's proposal to the Annual General Meeting with appendices.

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, online sales, 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 the Parent Company.

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 2020 on pages 52 and 53 and in Notes 27 and 28. No significant changes in these risks and uncertainties are assessed to have taken place at 31 December 2021 except for the impact of the Covid-19 pandemic as set out below.

The fourth quarter of 2021 continued to be marked by the Covid-19 pandemic and its impact on the world at large and on BioGaia. In most of the 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, long-term lockdowns in many countries have meant that consumers have had limited opportunities to visit the principal sales channels for our products – physical pharmacies, hospitals and, in Japan, dental surgeries.

BioGaia has adapted to the current situation and changed how the company works with marketing and sales. For example, BioGaia has not been able to take part in international fairs and symposia to the same extent as previously, since these have been cancelled, but has instead focused on supporting its partners with marketing material that can be used online. Furthermore, 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 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 continued challenges in 2022.



RELATED PARTY TRANSACTIONS

The Parent Company owns 100% of the shares in BioGaia UK Ltd, BioGaia Finland Oy, BioGaia Invest AB, MetaboGen AB, 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 80% of the shares in Nutraceuticals Inc.

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 150,000 in accordance with the decision of the Annual General Meeting and the Board of Directors. In addition, a dividend of SEK 3.75 per share was paid to Annwall & Rothschild Investment AB during the period. Out of the total of 89,730 warrants subscribed in conjunction with the incentive programme described above, 84,750 were subscribed for by Executive Management including the CEO. 4,500 warrants relating to management were repurchased in the fourth quarter.

KEY EVENTS IN THE FOURTH QUARTER OF 2021

Launches in the fourth quarter of 2021

Distributor	Country	Product
BioGaia	Finland	BioGaia Gastrus
BioGaia	Finland	BioGaia Prodentis
Phillips Therapeutics	Kenya	BioGaia Immune Boost drops
BioGaia	China	BioGaia Protectis capsules
Abbott	Mexico	BioGaia Protectis tablets with vitamin D
BioGaia	UK	BioGaia Protectis drops, easydroppar with vitamin D
BioGaia	UK	BioGaia Protectis tablets with vitamin D
EwoPharma	North Macedonia	BioGaia Protectis drops with vitamin D
EwoPharma	Romania	BioGaia Protectis capsules

BioGaia's profit for third quarter exceeds market expectations. On 13 October 2021, BioGaia announced that in the latter part of the third quarter of 2021 it was requested by certain customers at risk of running out of stock to bring orders forward, which had a positive impact on sales for the quarter.

Nomination Committee ahead of Annual General Meeting on 6 May 2022. On 9 November 2021, BioGaia announced that the Nomination Committee had been appointed based on the ownership structure as of 30 June 2021 and consists of Per-Erik Andersson, Annwall & Rothschild Investments AB, Fredrik Åtting, EQT, Marianne Flink, AP4, Carlos Moreno, Premier Milton Investors and Peter Rothschild, Chairman of the Board of BioGaia AB.

BioGaia acquires its US distributor – strengthening its market position in the USA. On 30 December 2021, BioGaia announced that the company, through its USA subsidiary BioGaia Biologics Inc, had signed an agreement to acquire all shares in Nutraceuticals Corporation ("Nutraceuticals"). Nutraceuticals held all shares in Everidis Inc ("Everidis"), which was BioGaia's exclusive distributor of BioGaia branded products in the USA.

The shares will be acquired in two steps, of which the first step took place on 31 December 2021 when BioGaia acquired 80% of the shares through an acquisition of shares and a new share issue for a consideration of USD 9.7 million and USD 5 million, respectively. The transaction values Nutraceuticals at USD 13.9 million on a cash and debt-free basis, corresponding to 5.3x expected operating profit 2021. BioGaia will acquire the remaining 20% of the shares during either 2027 or 2028 (determined at BioGaia's sole discretion) for an amount based on the net revenue for the year directly prior to the acquisition of the remaining shares.

The purchase price for the remaining shares is estimated currently, based on Everidis' long-term sales plan, to be approximately USD 22 million. Jennifer Cherry, Everidis' current CEO, will remain company CEO and no management changes are planned for the organisation. For more information, see Note 4.

KEY EVENTS AFTER THE END OF THE FOURTH QUARTER OF 2021

BioGaia's probiotic reduces inflammation in patients with diverticulitis. On 3 February 2022, BioGaia announced that a randomized, double-blind, placebo-controlled study with BioGaia's probiotic strain *Limosilactobacillus reuteri* ATCC PTA 4659 was shown to reduce inflammation significantly more than placebo in patients with acute uncomplicated diverticulitis. Moreover, as hospitalization time was shorter in the probiotic group, the probiotic supplementation also had economic benefits.

Accounting policies

This year-end 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 Swedish Annual Accounts Act. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the year-end report. The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) that have been approved by the European Commission for application in the EU. The accounting policies applied by the Group and the Parent Company are consistent with the accounting policies applied in preparation of the most recent annual report. The Parent Company prepares its financial statements in accordance with RFR 2 Accounting for Legal Entities, and the Swedish Annual Accounts Act, and applies the same accounting policies and valuation methods as in the most recent annual report.

NEW ACCOUNTING STANDARDS

Management's assessment is that new and amended standards and interpretations that came into force in 2021 have not had a material effect on the Group's financial statements. Management's assessment is that new and amended standards and interpretations that have not yet come into effect will not have a material effect on the Group's financial statements for the period of initial application.


SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(Amounts in SEK 000s)</i>	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Net sales (Note 1)	206,163	187,610	785,110	747,077
Cost of sales	-47,129	-47,646	-202,161	-200,159
<i>Gross profit</i>	<i>159,034</i>	<i>139,964</i>	<i>582,949</i>	<i>546,918</i>
Selling expenses	-66,605	-49,673	-192,437	-171,634
Administrative expenses	-12,157	-7,227	-42,546	-26,128
Research and development expenses	-30,479	-29,634	-105,467	-104,663
Other operating expenses/income	3,298	-8,180	11,238	-16,343
<i>Operating profit</i>	<i>53,090</i>	<i>45,250</i>	<i>253,737</i>	<i>228,150</i>
Financial income	43	46	107	155
Financial expenses	-499	-160	-1,132	-722
<i>Profit before tax</i>	<i>52,634</i>	<i>45,136</i>	<i>252,712</i>	<i>227,583</i>
Tax	-14,359	-6,669	-56,439	-47,853
Profit for the period	38,275	38,467	196,273	179,730
Items that may be subsequently reclassified to profit or loss				
Gains/losses arising on translation of the statements of foreign operations	744	-292	1,994	-4,059
Comprehensive income for the period	39,019	38,175	198,267	175,671
Profit for the period attributable to:				
Owners of the Parent Company	38,275	38,467	196,273	179,730
Non-controlling interests	–	–	–	–
	38,275	38,467	196,273	179,730
Comprehensive income for the period attributable to:				
Owners of the Parent Company	39,019	38,175	198,267	175,671
Non-controlling interests	–	–	–	–
	39,019	38,175	198,267	175,671
Earnings per share				
Earnings per share before dilution, (SEK) *)	1.90	2.02	9.72	10.07
Earnings per share after dilution, (SEK) *)	1.90	2.02	9.72	10.07
Number of shares (thousands)	20,196	20,196	20,196	20,196
Average number of shares before dilution, (thousands) *)	20,196	18,997	20,196	17,855
Average number of shares after dilution, (thousands) *)	20,196	18,997	20,196	17,855

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



CONSOLIDATED BALANCE SHEETS

<i>Summary (amounts in SEK 000s)</i>	31 Dec 2021	31 Dec 2020
ASSETS		
Property, plant and equipment	138,555	133,904
R&D projects in progress	48,086	50,322
Goodwill	149,227	5,300
Right-of-use assets	15,080	28,861
Financial assets	22,229	–
Deferred tax assets	2,757	5,279
Other non-current receivables	43	39
<i>Total non-current assets</i>	<i>375,977</i>	<i>223,705</i>
Current assets excl. cash and cash equivalents	267,397	221,694
Cash and cash equivalents	1,484,680	1,467,883
Total current assets	1,752,077	1,689,577
TOTAL ASSETS	2,128,054	1,913,282
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent Company	1,877,365	1,746,243
Non-controlling interests	2	2
Total equity (Note 2)	1,877,367	1,746,245
Deferred tax liability	14,240	11,312
Non-current liabilities	109,493	20,663
Current liabilities	126,954	135,062
TOTAL LIABILITIES AND EQUITY	2,128,054	1,913,282

CONSOLIDATED CASH FLOW STATEMENTS

<i>Summary (amounts in SEK 000s)</i>	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Operating activities				
Operating profit	53,090	45,250	253,737	228,150
Depreciation/amortisation	5,135	5,685	27,241	20,530
Unrealised gains/losses on forward contracts	–	-2,060	2,403	-4,876
Other non-cash items	2,833	972	-2,356	1,167
Paid tax	-3,203	-20,125	-55,934	-72,092
Interest received and paid	-499	-194	-1,068	-646
Cash flow from operating activities before changes in working capital	57,356	29,528	224,023	172,233
Changes in working capital	-1,091	25,087	-2,148	49,023
Cash flow from operating activities	56,265	54,615	221,875	221,256
Purchase of property, plant and equipment	-3,184	-1,991	-6,379	-16,075
Purchase of intangible assets	–	–	–	–
Purchase of financial assets	–	–	-22,229	–
Acquisitions of subsidiaries	-86,918	–	-98,359	–
Cash flow from investing activities	-90,102	-1,991	-126,967	-16,075
Dividend	–	–	-68,870	-65,012
Repayment of loans from subsidiaries	-7,174	–	-7,174	–
Repayment of lease liability	-2,138	-1,886	-7,527	-7,632
Provision to Foundation to Prevent Antibiotic Resistance	–	–	-2,800	-2,800
New issue, net	-464	1,126,840	4,525	1,126,840
Cash flow from financing activities	-9,776	1,124,954	-81,846	1,051,396
Cash flow for the period	-43,613	1,177,578	13,062	1,256,577
Cash and cash equivalents at the beginning of the period	1,529,736	292,385	1,467,883	213,831
Exchange difference in cash and cash equivalents	-1,443	-2,080	3,735	-2,525
Cash and cash equivalents at the end of the period	1,484,680	1,467,883	1,484,680	1,467,883


NOTE 1 REPORTING BY SEGMENT – GROUP

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

- **Paediatrics segment** (drops, gut health tablets, oral rehydration solution (ORS) and cultures to be used as ingredients in licensee products (such as infant formula) as well as royalty 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 royalty 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 and liabilities against the segments' assets.

<i>(Amounts in SEK 000s)</i>	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
Revenue by segment				
Paediatrics	150,108	139,614	603,689	583,111
Adult Health	55,160	47,309	176,855	161,186
Other	894	687	4,566	2,780
Total	206,163	187,610	785,110	747,077
Gross profit by segment				
Paediatrics	118,199	106,444	458,480	431,810
Adult Health	39,995	32,904	119,958	112,588
Other	840	617	4,511	2,521
Total	159,034	139,964	582,949	546,918
Selling, administrative and R&D expenses	-109,242	-86,534	-340,450	-302,425
Other operating expenses	3,298	-8180	11,238	-16,343
Operating profit	53,090	45,250	253,737	228,150
Net financial items	-456	-114	-1,025	-567
Profit before tax	52,634	45,136	252,712	227,583
Sales by geographical market				
APAC				
Paediatrics	32,783	22,995	101,469	82,689
Adult Health	39,966	30,763	110,892	86,625
Other	551	450	2,092	1,432
Total APAC	73,300	54,208	214,453	170,746
EMEA				
Paediatrics	74,089	70,750	288,383	312,520
Adult Health	10,617	12,517	45,103	58,894
Other	269	221	2,318	1,169
Total EMEA	84,975	83,488	335,804	372,583
Americas				
Paediatrics	43,236	45,869	213,837	187,902
Adult Health	4,577	4,029	20,860	15,667
Other	75	16	156	179
Total Americas	47,888	49,914	234,853	203,748
Total	206,163	187,610	785,110	747,077



<i>Date of recognition Performance obligations met on specific date (Product sales)</i>	Oct–Dec	Oct–Dec	Jan–Dec	Jan–Dec
	2021	2020	2021	2020
Paediatrics	147,715	137,636	595,361	570,829
Adult Health	49,872	42,556	155,355	148,635
Other	691	494	2,748	2,027
Total	198,278	180,686	753,464	721,491
<i>Performance obligations met over time (Royalty)</i>				
Paediatrics	2,394	1,978	8,329	12,282
Adult Health	5,288	4,753	21,500	12,551
Other	203	193	1,817	753
Total	7,885	6,924	31,646	25,586
Total	206,163	187,610	785,110	747,077

NOTE 2 SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(Amounts in SEK 000s)</i>	Jan–Dec 2021	Jan–Dec 2020
Opening balance	1,746,245	507,874
New issue, net	–	1,130,512
New issue warrants	4,525	
Dividend	-68,870	-65,012
Provision to Foundation to Prevent Antibiotic Resistance	-2,800	-2,800
Comprehensive income for the period	198,267	175,671
Closing balance	1,877,367	1,746,245

NOTE 3 LARGEST SHAREHOLDERS AT 31 DECEMBER 2021 (SOURCE: MONITOR)

	A shares	B shares	Share capital	No. of votes	Capital	Votes
1 Annwall & Rothschild Investments AB	740,668	100,000	840,668	7,506,680	4.2%	27.9%
2 EQT		1,625,000	1,625,000	1,625,000	8.0%	6.0%
3 Fjärde AP-fonden		1,624,000	1,624,000	1,624,000	8.0%	6.0%
4 Premier Miton Investors		1,335,044	1,335,044	1,335,044	6.6%	5.0%
5 Handelsbanken Fonder		1,215,393	1,215,393	1,215,393	6.0%	4.5%
6 TIN Fonder		668,835	668,835	668,835	3.3%	2.5%
7 Cargill Inc		600,000	600,000	600,000	3.0%	2.2%
8 Tredje AP-fonden		466,909	466,909	466,909	2.3%	1.7%
9 AMF Pension & Fonder		403,197	403,197	403,197	2.0%	1.5%
10 Juno Investment Partners		371,038	371,038	371,038	1.8%	1.4%
Other shareholders		11,046,378	11,046,378	11,046,378	54.7%	41.1%
Total	740,668	19,455,794	20,196,462	26,862,474	100%	100%



NOT 4 ACQUISITION OF SUBSIDIARIES

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

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

Jennifer Cherry, Everidis' current CEO, will remain company CEO and no management changes are planned for the organisation. With a customer value of USD 2 billion, the USA is the world's largest probiotics market with excellent potential for continued growth. USA has been identified as a key market for BioGaia, which has had a partnership with Everidis since 2007. The company has been highly successful with its omnichannel strategy combined with marketing to the healthcare sector and end consumers, which has made the USA BioGaia's largest market in 2021.

The investment in Everidis, whose sales are largely online, is part of BioGaia's long-term strategy to invest in digital sales directly to consumers and complements the company's initiatives in Finland, the UK and Sweden, which began in 2021. The acquisition was financed by utilising existing funds.

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

(Amounts in SEK 000s)

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

Paid through

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

Revenue and earnings attributable to acquired companies

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

Acquisition analysis

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

Additional purchase price

The final settlement of the first stage of the acquisition will take place in the first quarter of 2022. The liability recognised with respect to this additional purchase price is estimated at approximately SEK 0.5 million. The additional purchase price to acquire the remaining 20% was measured at the fair value of SEK 100.6 million and is recognised as a liability in the Group. For more information, see Note 5.

Impact on cash flow

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



NOT 5 FAIR VALUE

Financial liabilities

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

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

Financial assets

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

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

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 maturities.



Consolidated key ratios

	Jan–Dec 2021	Jan–Dec 2020
Net sales, SEK 000s	785,110	747,077
Growth of net sales	5%	-3%
Operating profit, SEK 000s	253,737	228,150
Profit after tax, SEK 000s	196,281	179,730
Return on equity	11%	16%
Return on capital employed	14%	20%
Capital employed, SEK 000s	1,891,607	1,757,557
Number of shares, thousands	20,196	20,196
Average number of shares before dilution, thousands ¹⁾	20,196	17,855
Average number of shares after dilution, thousands ¹⁾	20,196	17,855
Earnings per share before dilution, SEK ^{1) 2)}	9.72	10.07
Earnings per share after dilution, SEK ^{1) 2)}	9.72	10.07
Equity per share, SEK ¹⁾	92.96	97.80
Equity/assets ratio	88%	91%
Operating margin	32%	31%
Profit margin	32%	30%
Average number of employees	161	157

- 1) A bonus issue element from the 2020 new issue has been taken into account in the calculation of earnings per share before and after dilution and equity per share, which means that comparative figures have been recalculated.
- 2) Key ratio defined according to IFRS.

A list of definitions of key ratios reported in the consolidated financial statements is provided on page 66 of BioGaia's annual report for 2020. In this report, BioGaia reports information used by Executive Management to assess the Group's development. Some of the key ratios presented are not defined according to IFRS. The company is of the opinion that these metrics provide valuable complementary information to stakeholders and the company's management since they contribute to evaluation of relevant trends and the company's performance. Since not all companies calculate key ratios in the same manner, these are not always comparable to metrics used by other companies. These key ratios should therefore not be seen as a replacement for metrics defined according to IFRS. With effect from 3 July 2016, ESMA's guidelines on alternative performance measures are applied which means extended disclosure requirements regarding key ratios not defined according to IFRS. A reconciliation of key ratios that BioGaia considers relevant according to these guidelines is provided below.

DEFINITIONS OF KEY RATIOS

Key ratio	Definition/calculation	Purpose
Return on equity	Profit attributable to the owners of the Parent Company divided by average equity attributable to the owners of the Parent Company.	Return on equity is used to measure profit generation, over time, given the resources attributable to the owners of the Parent Company.
Return on capital employed	Profit before net financial items plus financial income as a percentage of average capital employed.	Return on capital employed is used to analyse profitability, based on the amount of capital used.
Gross margin	Gross profit as a percentage of net sales.	The gross margin is used to measure profitability.
Equity per share	Equity attributable to the owners of the Parent Company divided by the average number of shares.	Equity per share measures the company's net value per share and indicates whether a company will increase the shareholders' wealth over time.
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	Profit for the period attributable to owners of the Parent Company divided by the average number of shares (definition according to IFRS).	EPS measures how much of net profit is available for payment to the shareholders as dividends per share.
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	Shareholders' equity at the end of the period as a percentage of total assets.	A traditional metric to show financial risk expressed as the share of total assets financed by the shareholders. Shows the company's stability and ability to withstand losses.
Capital employed	Total assets less interest-free liabilities.	Capital employed measures the company's ability, in addition to cash and liquid assets, to meet the requirements of business operations.
Growth	Sales for the period less sales for the year-earlier period divided by sales for the year-earlier period. Breakdown by foreign exchange and organic growth.	Shows the company's realised sales growth over time.
Profit margin	Profit before tax as a percentage of net sales.	This key ratio makes it possible to compare profitability regardless of the corporate income tax.


KEY RATIO

(Amounts in SEK 000s)

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

KEY RATIO

(Amounts in SEK 000s)

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

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

	Paediatrics		Adult Health		Other		Total		
	Oct– Dec 2021	Jan– Dec 2021	Oct– Dec 2021	Jan– Dec 2021	Oct– Dec 2021	Jan– Dec 2021	Oct– Dec 2021	Jan– Dec 2021	
<i>(Amounts in SEK 000s)</i>									
Description									
A	Previous year's net sales according to the average rate	139,614	583,111	47,309	161,187	687	2,780	187,610	747,077
B	Net sales for the year according to the average rate	150,108	603,690	55,160	176,854	894	4,566	206,163	785,110
C	Recognised change (B-A)	10,494	20,579	7,851	15,668	207	1,786	18,553	38,033
	Percentage change (C/A)	8%	4%	17%	10%	30%	64%	10%	5%
D	Net sales for the year according to the previous year's average rate (D)	152,241	643,482	55,939	187,127	894	4,566	209,074	835,175
E	Foreign exchange effects (C-F)	-2,133	-39,792	-779	-10,273	0	0	-2,910	-50,065
	Percentage change (E/A)	-2%	-7%	-2%	-6%	0%	0%	-2%	-7%
F	Organic change (D-A)	12,627	60,371	8,630	25,941	207	1,786	21,463	88,098
	Organic change, % (F/A)	9%	10%	18%	16%	30%	64%	11%	12%



Average key exchange rates	Oct–Dec 2021	Oct–Dec 2020	Jan–Dec 2021	Jan–Dec 2020
EUR	10.12	10.32	10.13	10.54
USD	8.76	8.70	8.49	9.27
JPY	0.0779	0.0862	0.0781	0.0862

Closing date key exchange rates	31 Dec 2021	31 Dec 2020
EUR	10.23	10.04
USD	9.04	8.19
JPY	0.0785	0.0792

Pledged assets and contingent liabilities (Amounts in SEK 000s)	GROUP	
	31 Dec 2021	31 Dec 2020
Floating charges	0	0
Contingent liabilities	None	None

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME – PARENT COMPANY

PARENT COMPANY INCOME STATEMENT

(Amounts in SEK 000s)	Jan–Dec 2021	Jan–Dec 2020
Net sales	732,009	699,349
Cost of sales	-256,210	-241,555
Gross profit	475,799	457,794
Selling expenses	-163,189	-138,162
Administrative expenses	-34,630	-24,306
Research and development expenses	-85,563	-84,063
Other operating expenses/income	11,506	-16,943
Operating profit	203,923	194,320
Impairment loss on shares in subsidiary	-18,708	-20,756
Net financial items	688	1,169
Profit before tax	185,903	174,733
Tax	-39,344	-37,061
Profit for the period	146,559	137,672

PARENT COMPANY BALANCE SHEET

Summary (amounts in SEK 000s)	31 Dec 2021	31 Dec 2020
ASSETS		
Property, plant and equipment	4,747	6,246
Intangible assets	2,236	4,472
Shares in group companies	331,809	154,671
Non-current receivables from subsidiaries	10,835	10,835
Total non-current assets	349,627	176,224
Current assets excl. cash and cash equivalents	197,525	198,013
Cash and cash equivalents	1,333,570	1,419,361
Total current assets	1,531,095	1,617,374
TOTAL ASSETS	1,880,722	1,793,598
EQUITY AND LIABILITIES		
Equity	1,716,000	1,636,587
Non-current liabilities	3,380	–
Interest-free current liabilities	161,342	157,011



PARENT COMPANY CASH FLOW STATEMENT


<i>Summary (amounts in SEK 000s)</i>	Jan–Dec 2021	Jan–Dec 2020
Operating activities		
Operating profit	203,923	194,320
Depreciation/amortisation	3,736	3,746
Other non-cash items	1,693	1,881
Forward exchange contracts	2,403	-4,876
Paid tax	-46,786	-59,309
Interest received and paid	688	1,169
Cash flow from operating activities before changes in working capital	165,657	136,931
Changes in working capital	-5,872	47,874
Cash flow from operating activities	159,784	184,805
Purchase of intangible assets	–	–
Purchase of property, plant and equipment	–	-807
Sale of property, plant and equipment	–	–
Purchase of financial assets	-167,920	–
Sale of financial assets	22,229	–
Repayment of loans from subsidiaries	–	25,000
Cash flow from investing activities	-145,691	24,193
Dividend	-68,870	-65,012
Provision to Foundation to Prevent Antibiotic Resistance	-2,800	-2,800
Shareholder contribution provided	-31,444	–
New issue, net	–	1,126,840
Warrants	-464	–
Cash flow from financing activities	-103,578	1,059,028
Cash flow for the period	-89,484	1,268,026
Cash and cash equivalents at the beginning of the period	1,419,361	153,217
Exchange difference in cash and cash equivalents	3,693	-1,882
Cash and cash equivalents at the end of the period	1,333,570	1,419,361

SUMMARY PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

<i>(Amounts in SEK 000s)</i>	Jan–Dec 2021	Jan–Dec 2020
Opening balance	1,636,587	436,215
Dividend	-68,870	-65,012
Provision to Foundation to Prevent Antibiotic Resistance	-2,800	-2,800
New issue, net	–	1,130,512
New issue warrants	4,525	–
Comprehensive income for the period	146,559	137,672
Closing balance	1,716,000	1,636,587



Financial calendar

 <p>MAR 2022</p>	 Annual Report 2021	 <p>22 JUL 2022</p>	 8:00 a.m. CEST Interim Report 1 January – 30 June 2022
 <p>6 MAY 2022</p>	 Annual General Meeting 2021	 <p>21 OCT 2022</p>	 8:00 a.m. CEST Interim management statement 1 January – 30 September 2022
 <p>6 MAY 2022</p>	 8:00 a.m. CEST Interim management statement 1 January – 31 March 2022		

Stockholm, 4 February 2022

Peter Rothschild
Board Chairman

David Dangoor
Vice Chairman

Ewa Björling
Member of the Board

Christian Bubenheim
Member of the Board

Peter Elving
Member of the Board

Maryam Ghahremani
Member of the Board

Anthon Jahreskog
Member of the Board

Niklas Ringby
Member of the Board

Vanessa Rothschild
Member of the Board

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 2021. The Board of Directors and the CEO are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this year-end 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 year-end 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 2022

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 food supplements with probiotics for more than 30 years. BioGaia develops, markets and sells probiotic products with documented health benefits. The products are primarily based on different strains of the lactic acid bacterium *Limosilactobacillus** *reuteri*.

The class B shares of the Parent Company BioGaia AB are quoted on the Mid Cap List of Nasdaq 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 holds patents for the use of certain strains of *L. reuteri* and certain packaging solutions in all major markets.

THE BIOGAIA BRAND

BioGaia launched its own consumer brand at the beginning of 2006. Today a number of distribution partners sell finished products under the BioGaia brand in a large number of markets. One central part of BioGaia's strategy is to increase the proportion of sales consisting of BioGaia-branded products. Of products (drops, tablets for gut and oral health, oral rehydration, etc.) sold in 2021, 81% (77%) 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 *L. reuteri* culture to their products and sell these under their own brand names. On these products, the BioGaia brand is most often shown on the package as the licensor/patent holder.

RESEARCH AND CLINICAL STUDIES

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

Studies have been performed on:

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

* Previously *Lactobacillus*.

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