

BioGaia AB

Interim Management Statement

January – March 2023



Q1 2023

FIRST QUARTER 2023

Figures in parentheses refer to the corresponding period last year, unless otherwise specified.

Net sales amounted to SEK 365.8 million (283.9), an increase of SEK 82.0 million, or 29% (excluding foreign exchange effects, 19%).

Net sales in the Paediatrics segment amounted to SEK 306.0 million (222.5), an increase of 37% (excluding foreign exchange effects, 27%).

Net sales in the Adult Health segment amounted to SEK 56.6 million (60.8), a decrease of 7% (excluding foreign exchange effects a decrease of 14%).

Operating expenses amounted to SEK 114.5 million (106.9), an increase of SEK 7.6 million (7%). Operating expenses, excluding items affecting comparability, increased by 10% to SEK 112.1 million (102.2).

Operating profit increased by 55% to SEK 148.0 million (95.3), which corresponds to an operating margin of 40% (34%). Adjusted operating profit increased by 50% to SEK 150.4 million (100.0), which corresponds to an adjusted operating margin of 41% (35%).

Profit after tax amounted to SEK 115.9 million (76.3), an increase of 52%.

Earnings per share amounted to SEK 1.15 (0.76) before and after dilution.¹⁾

Cash flow amounted to SEK 93.7 million (85.8).

Cash and cash equivalents at 31 March 2023 amounted to SEK 1,580.8 million (SEK 1,571.7 million at 31 March 2022).

Key events in the first quarter of 2023

On 29 March, BioGaia announced that the company's CEO Isabelle Ducellier intends to leave the company and take up employment with another company. Isabelle Ducellier will remain in her position until 30 September 2023.

On 31 March, BioGaia announced that the company is launching a probiotic skin ointment for infants and children, Aldermis.

Key events after the end of the first quarter

On 26 April, BioGaia presented the preliminary results for the first quarter of 2023.

On 27 April, BioGaia announced that the company is launching the Prenatal Care product for women before and during pregnancy.

Jan–Mar
2023

Operating
margin
40%

Change in
sales
29%
19% excl.
foreign exchange
effects

Operating
profit
148
SEK million

Net sales
366
SEK million

	Jan–Mar 2023	Jan–Mar 2022
Net sales, SEK 000s	365,821	283,855
Growth in net sales	29%	41%
Operating profit, SEK 000s	147,998	95,295
Operating margin	40%	34%
Profit after tax, SEK 000s	115,945	76,297
Number of shares, thousands	100,982	100,982
Earnings per share, before and after dilution, SEK ¹⁾ ₂₎	1.15	0.76

- 1) In view of the 5:1 share split, which took place in May 2022, historical key ratios based on the number of shares have been restated.
- 2) Key ratio defined according to IFRS. For definitions of other key ratios, see page 16.

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. CEST on 5 May 2023.

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BioGaia AB (publ.) interim management statement 2023

The Board of Directors and the CEO of BioGaia AB hereby present the interim management statement for the period 1 January – 31 March 2023.

CEO's comments

Following on from another record year in 2022, when sales passed SEK 1 billion, our multi-year growth has continued with a very strong first quarter when we reported net sales of SEK 366 million. This is an increase of 29% compared with the year-earlier period (19% excluding changes in foreign exchange rates) driven by two regions, the Americas and APAC. When we concluded 2022, our five markets with direct sales accounted for about one quarter of total sales. Now with the addition of direct sales in Canada, we can realise important synergies with the USA market.

In the Americas, we can see continued growth of 64%, driven by BioGaia Canada, the new subsidiary that was established following the termination of the agreement with our former distributor Ferring. As I have said, we can already see operating synergies with BioGaia USA and our online channels. BioGaia USA has continued its double-digit growth, driven by sales via Amazon. For the first time in the history of BioGaia in the USA, we sold for more than USD 1 million via Amazon during a single month. We also decided to launch our own first cosmetic probiotic product, Aldermis, a skin ointment for infants and children with dry and sensitive skin, as a good complement to our Paediatrics product portfolio. LATAM is overperforming thanks to the successful regional launch of Gastrus and the continuing success of our Protectis drops in Brazil.

With net sales of SEK 81 million, the APAC region is once again growing with an impressive sales increase of 72%, mainly due to the reopening of China after another wave of Covid. South Korea, the Philippines, Malaysia and Thailand also made significant contributions to total growth. Sales on Amazon Japan noted a strong upswing during the first quarter supported by a number of influencer campaigns in conjunction with the relaunch of BioGaia Prodentis. As a result, the product was ranked number one in Amazon Japan's Drugstore category for a whole week. This success reinforces our conviction that the implementation of our omnichannel strategy with Amazon is working and will be highly beneficial in many more Amazon marketplaces worldwide.

After a surge in sales of 52% in EMEA in 2022 due to the recovery from Covid, sales of SEK 143 million during the first quarter represents a year-on-year decrease of 5%. Some inventory accumulation also occurred during the fourth quarter prior to the price increase.

Excellent results in Turkey, Poland, France and Belgium, as well as a slowdown in Italy (following very strong growth in 2022) and Romania are also events worthy of note.

Despite cautious consumer spending during times of high inflation and the concern about the future economic outlook, demand for clinically proven probiotics products remains healthy.

It is also worth noting that BioGaia's financial situation is very robust, and during times such as these with limited access to new capital in the biotech sector, we have no such needs in order to drive our growth, develop new products, finance possible acquisitions, and continue to disburse attractive dividends.

Lastly, as announced on 29 March, I have, with mixed feelings, decided to leave BioGaia and instead join Orkla as CEO of the Orkla Health portfolio company. To ensure a smooth transition, I will remain in my current position until the end of September 2023. I am leaving a BioGaia that is in a good position to develop into the world's most trusted probiotic brand, led by a highly competent and completely dedicated team around the world. I have no doubt that BioGaia will continue on its successful journey. I am deeply grateful for these five years of intensive transformation from a business-to-business company to a business-to-consumer company.



Isabelle Ducellier
President and CEO BioGaia

5 May 2023



Teleconference: Investors, analysts and the media are invited to take part in a teleconference on the interim management statement to be held today, 5 May 2023, at 9:30 a.m. CEST with CEO Isabelle Ducellier and CFO Alexander Kotsinas. More information about the teleconference is available here: <https://financialhearings.com/event/46020>.

Q1 2023

Revenue

SEKm	Jan–Mar 2023	Jan–Mar 2022	Change
Paediatrics	306.0	222.5	37%
Adult Health	56.6	60.8	-7%
Other	3.3	0.6	461%
Total	365.8	283.9	29%

SEKm	Jan–Mar 2023	Jan–Mar 2022	Change
EMEA	143.3	150.4	-5%
APAC	80.8	46.9	72%
Americas	141.7	86.6	64%
Total	365.8	283.9	29%

SALES FIRST QUARTER

Consolidated net sales amounted to SEK 365.8 million (283.9), which is an increase of SEK 82.0 million, or 29% (excluding foreign exchange effects, 19%).

Sales in EMEA totalled SEK 143.3 million (150.4), down 5% due to decreased sales in both the Paediatrics and Adult Health segments. In EMEA, sales decreased mainly in Spain, Russia and Italy. BioGaia has no sales to Russia since the first quarter of 2022. The decline in sales was partially due a certain degree of inventory accumulation among some distributors during the fourth quarter of 2022 prior to the price increase.

Sales in APAC amounted to SEK 80.8 million (46.9), an increase of 72%. The Paediatrics segment increased while the Adult Health segment decreased slightly. Sales increased primarily in China as restrictions attributable to the pandemic were removed and due to quarterly variations for individual orders.

Sales in Americas totalled SEK 141.7 million (86.6), up 64% due to increased sales in both the Paediatrics and Adult Health segments. Sales growth was strongest in the USA, Canada and Brazil. The sales in Americas were positively impacted by certain one-time effects related to BioGaia starting to sell through its own subsidiary, BioGaia Canada.

SEKm		Change
2022	283.9	
Foreign exchange	27.1	10%
Organic growth	54.8	19%
2023	365.8	29%

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Paediatrics



The Paediatrics segment accounts for approximately 80% of BioGaia's total sales. BioGaia Protectis drops remain the most sold product and are sold in more than 100 countries. Other key products within the Paediatrics segment include Protectis tablets, oral rehydration solution as well as cultures to be used as ingredients in licensee products.

SEKm	Jan–Mar 2023	Jan–Mar 2022	Change
Paediatrics	306.0	222.5	37%

SALES FIRST QUARTER

Sales in the Paediatrics segment amounted to SEK 306.0 million (222.5), an increase of 37% (excluding foreign exchange effects, 27%). Over the past 12-month period, sales rose 43%.

Sales of BioGaia Protectis drops increased compared to the corresponding period last year. Sales increased in the Americas, primarily in the USA and Canada, but also in APAC, mainly in China. Sales decreased slightly in EMEA, mainly in Spain.

Sales of BioGaia Protectis tablets within Paediatrics increased compared to the corresponding period last year. Sales increased in the Americas and APAC but decreased in EMEA. Sales increased mainly in Brazil and South Korea.

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Adult Health



The Adult Health segment accounts for approximately 20% of BioGaia's total sales. Sales mainly comprise BioGaia Protectis, BioGaia Gastrus, BioGaia Prodentis, BioGaia Osofortis, as well as cultures as an ingredient in a licensee's dairy products and Nutraceuticals' own products.

SEKm	Jan–Mar 2023	Jan–Mar 2022	Change
Adult Health	56.6	60.8	-7%

SALES FIRST QUARTER

Sales in the Adult Health segment amounted to SEK 56.6 million (60.8), a decrease of 7% (excluding foreign exchange effects a decrease of 14%). Over the past 12-month period, sales rose 14%.

Sales of BioGaia Protectis tablets decreased compared to the corresponding period last year. Sales declined primarily in Italy, Eastern Europe and South Africa.

Sales of BioGaia Gastrus increased compared to the corresponding period last year. Sales increased mainly in the USA and France.

Sales of BioGaia Prodentis increased compared to the corresponding period last year. Sales increased mainly in the USA and Japan.

Q1 2023

Earnings

First quarter

Gross margin

The total gross margin for the quarter amounted to 72% (71%). The gross margin is still adversely affected by rising purchase prices despite price increases by BioGaia. BioGaia intends to continue to raise prices to offset higher costs and to defend its gross margin.

The gross margin for the Paediatrics segment amounted to 73% (73%) and for the Adult Health segment to 63% (65%).

Operating expenses and operating profit

Operating expenses amounted to SEK 114.5 million (106.9), an increase of SEK 7.6 million (7%). Operating expenses, excluding items affecting comparability, increased by 10% to SEK 112.1 million (102.2). Items affecting comparability in the quarter include primarily restructuring costs for personnel.

Selling expenses amounted to SEK 88.1 million (72.0), an increase of 22%, mainly due to higher costs for sales and marketing activities.

R&D expenses amounted to SEK 18.7 million (24.9), a decrease of 25%. The decrease in R&D expenses is attributable to lower study expenses during the period.

Administrative expenses amounted to SEK 9.8 million (11.1), a decrease of 12%.

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK -2.1 million (-1.1).

Operating profit amounted to SEK 148.0 million (95.3), an increase of 55%. The operating margin was 40% (34%).

Adjusted operating profit amounted to SEK 150.4 million (100.0), an increase of 50%. The adjusted operating margin was 41% (35%).

Profit after tax and earnings per share

Profit after tax amounted to SEK 115.9 million (76.3), an increase of 52%. The effective tax rate was 23% (22%).

Earnings per share amounted to SEK 1.15 (0.76). There are no dilutive effects.

Q1 2023

Balance sheet and cash flow

Balance sheet 31 March 2023

Total assets at 31 March 2023 amounted to SEK 2,324.0 million (SEK 2,214.0 million at 31 December 2022).

Goodwill from the acquisition of Nutraceutics was adjusted for currency translation, and amortisation of other surplus values identified in the acquisition. The financial liability for the additional purchase price was value adjusted. For more information, see Note 4. Compared with the preceding year, trade receivables and trade payables increased while inventories decreased.

Cash and cash equivalents at 31 March 2023 amounted to SEK 1,580.8 million (SEK 1,488.4 million at 31 December 2022).

Cash flow first quarter

Cash flow amounted to SEK 93.7 million (85.8).

Cash flow from operating activities amounted to SEK 98.4 million (93.1). The increase in cash flow in operations compared with the year-earlier period is due to higher operating profit despite a negative change in working capital.

Investments in property, plant and equipment amounted to SEK 1.3 million (5.1).

Other disclosures

Employees

The number of employees in the Group at 31 March 2023 totalled 211 (189 at 31 March 2022).

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.

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 Group excluding non-recurring items.

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 a strong distribution network that covers a large share of key markets for BioGaia, 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 2022 on pages 92 and 93 and in Notes 27 and 28. No significant changes in these risks and uncertainties are assessed to have taken place at 31 March 2023.

Related party transactions

The Parent Company owns 100% of the shares in BioGaia Probiotics Canada Inc, 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 Nutraceutics Inc.

Annwall & Rothschild Investment AB owns 3,703,340 class A shares and 500,000 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 705,000 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.

Key events in the first quarter of 2023

Launches in the first quarter of 2023

Distributor	Country	Product
Abbott	Paraguay	BioGaia Protectis tablets with vitamin D
J Health	Hong Kong	Protectis tablets with vitamin D
Pharma Ace	Malaysia	BioGaia Protectis minipack
United Life Sciences	Taiwan	BioGaia Protectis tablets with vitamin D

Management changes in BioGaia. On 29 March, BioGaia announced that the company's CEO Isabelle Ducellier intends to leave the company and take up employment with another company. Isabelle Ducellier will remain in her position until 30 September 2023.

BioGaia launches probiotic skin ointment for infants and children. On 31 March, BioGaia announced that the company is launching its own cosmetic probiotic product, Aldermis, which helps combat dry and sensitive skin. The ointment contains BioGaia's patented bacteria strain *L. reuteri* DSM 17938.

Key events after the end of the first quarter of 2023

BioGaia presents preliminary results. On 26 April, BioGaia presented the preliminary results for the first quarter of 2023.

BioGaia launches probiotic food supplement for women before and during pregnancy. On 27 April, BioGaia announced that the company is launching the Prenatal Care product, a probiotic food supplement for expecting mothers as well as women planning to conceive.

Accounting policies

This interim management statement was prepared in all material respects in accordance with Nasdaq OMX Stockholm's guidance for preparing interim management statements. Disclosures according to IAS 34 Interim Financial Reporting are provided both in notes and elsewhere in the interim management statement. The accounting policies applied in the consolidated income statement and balance sheet are consistent with the accounting policies applied in preparation of the most recent annual report.

The financial accounts and segment information correspond to the statements used in interim financial reporting prepared in accordance

with IAS 34 to provide comparability in the presentation between quarters. The interim management statement includes a Message from the CEO, even if this is not a requirement of Nasdaq Stockholm's guidance. The information is nevertheless deemed important in satisfying user needs.

New accounting standards

Management's assessment is that new and amended standards and interpretations that came into force in 2023 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.

Q1 2023

Summary consolidated statements of comprehensive income

(Amounts in SEK 000s)	Jan–Mar 2023	Jan–Mar 2022	Jan–Dec 2022	Apr 2022– Mar 2023	Apr 2021– Mar 2022
Net sales (Note 1)	365,821	283,855	1,103,957	1,185,923	866,990
Cost of sales	-103,309	-81,647	-302,028	-323,690	-227,033
Gross profit	262,512	202,208	801,929	862,233	639,957
Selling expenses	-88,114	-72,035	-320,798	-336,877	-221,223
Administrative expenses	-9,773	-11,063	-39,818	-38,528	-37,914
Research and development expenses	-18,684	-24,904	-106,805	-100,585	-103,192
Other operating income/expenses	2,057	1,089	26,951	27,919	7,160
Operating profit	147,998	95,295	361,459	414,162	284,788
Financial income	2,758	3,769	91,540	90,529	3,854
Financial expenses	-195	-1,697	-5,386	-3,884	-2,610
Profit before tax	150,561	97,367	447,613	500,807	286,032
Tax	-34,616	-21,070	-73,840	-87,386	-63,904
Profit for the period	115,945	76,297	373,773	413,421	222,128
Gains/losses arising on translation of the statements of foreign operations	-1,079	3,188	25,722	21,455	4,230
Comprehensive income for the period	114,866	79,485	399,495	434,876	226,358
Profit for the period attributable to: Owners of the Parent Company	115,945	76,297	373,773	413,421	222,128
Non-controlling interests	-	-	-	-	-
	115,945	76,297	373,773	413,421	222,128
Comprehensive income for the period attributable to: Owners of the Parent Company	114,866	79,485	399,495	434,876	226,358
Non-controlling interests	-	-	-	-	-
	114,866	79,485	399,495	434,876	226,358
Earnings per share					
Earnings per share before dilution, (SEK *)	1.15	0.76	3.70	4.09	2.20
Earnings per share after dilution, (SEK *)	1.15	0.76	3.70	4.09	2.20
Number of shares (thousands)	100,982	100,982	100,982	100,982	100,982
Average number of shares before dilution, (thousands *)	100,982	100,982	100,982	100,982	100,982
Average number of shares after dilution, (thousands *)	100,982	100,982	100,982	100,982	100,982

*) In view of the 5:1 share split, which took place in May 2022, historical key ratios based on the number of shares have been restated.

Q1 2023

Consolidated balance sheets

Summary (amounts in SEK 000s)

	31 Mar 2023	31 Mar 2022	31 Dec 2022
Assets			
R&D projects in progress	46,128	47,713	46,075
Goodwill	170,084	152,730	171,517
Right-of-use assets	10,614	13,075	13,557
Property, plant and equipment	141,679	140,186	144,168
Financial assets	25,793	22,229	25,793
Deferred tax assets	7,170	4,970	15,325
Deposits	49	44	50
Total non-current assets	401,517	380,947	416,485
Current assets excl. cash and cash equivalents	341,664	277,522	309,115
Cash and cash equivalents	1,580,822	1,571,693	1,488,366
Total current assets	1,922,486	1,849,215	1,797,481
Total assets	2,324,003	2,230,162	2,213,966
Equity and liabilities			
Equity attributable to owners of the Parent Company	2,086,866	1,956,644	1,972,416
Non-controlling interests	2	2	2
Total equity (Note 2)	2,086,868	1,956,646	1,972,418
Deferred tax liability	12,532	14,190	12,552
Non-current liabilities	38,328	106,308	64,005
Current liabilities	186,275	153,018	164,991
Total liabilities and equity	2,324,003	2,230,162	2,213,966

Q1 2023

Consolidated cash flow statements

Summary (amounts in SEK 000s)	Jan–Mar 2023	Jan–Mar 2022	Jan–Dec 2022
Operating activities			
Operating profit	147,998	95,295	361,459
Depreciation/amortisation	6,519	6,049	23,890
Other non-cash items	-44	-1,136	-9,103
Paid tax	-34,995	-17,512	-54,910
Interest received and paid	2,562	-1,698	2,248
Cash flow from operating activities before changes in working capital	122,040	80,998	323,584
Changes in working capital	-23,606	12,067	-4,641
Cash flow from operating activities	98,434	93,065	318,943
Purchase of property, plant and equipment	-1,279	-5,081	-17,916
Purchase of intangible assets	-53	–	-225
Cash flow from investing activities	-1,332	-5,081	-18,141
Dividend	–	–	-301,331
Repayment of lease liability	-2,943	-2,005	-9,143
Provision to Foundation to Prevent Antibiotic Resistance	–	–	-2,900
Repurchase of warrants	-417	-206	-214
Cash flow from financing activities	-3,360	-2,211	-313,588
Cash flow for the period	93,742	85,773	-12,786
Cash and cash equivalents at the beginning of the period	1,488,366	1,484,680	1,484,680
Exchange difference in cash and cash equivalents	-1,286	1,240	16,472
Cash and cash equivalents at the end of the period	1,580,822	1,571,693	1,488,366

Q1 2023

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 and bone health tablets, oral health lozenges and cultures as an ingredient in a licensee's dairy products, Nutraceuticals' own 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.

(Amounts in SEK 000s)	Jan–Mar 2023	Jan–Mar 2022	Jan–Dec 2022	Apr 2022– Mar 2023	Apr 2021– Mar 2022
Revenue by segment					
Paediatrics	305,957	222,520	868,355	951,792	664,601
Adult Health	56,613	60,756	230,205	226,062	198,890
Other	3,251	579	5,398	8,069	3,499
Total	365,821	283,855	1,103,957	1,185,923	866,990
Gross profit by segment					
Paediatrics	224,403	161,837	643,607	706,172	499,913
Adult Health	35,535	39,792	153,298	149,040	136,600
Other	2,574	579	5,025	7,020	3,444
Total	262,512	202,208	801,929	862,232	639,957
Selling, administrative, R&D expenses	-116,571	-108,002	-467,421	-475,990	-362,629
Other operating expenses/income	2,057	1,089	26,951	27,919	7,160
Operating profit	147,998	95,295	361,459	414,162	284,788
Net financial items	2,563	2,072	86,154	86,645	1,244
Profit before tax	150,561	97,367	447,613	500,807	286,032
Sales by geographical market					
APAC					
Paediatrics	51,132	17,343	118,684	152,473	99,191
Adult Health	27,338	29,014	100,226	98,550	117,423
Other	2,299	507	4,074	5,865	2,349
Total APAC	80,769	46,864	222,983	256,888	218,963
EMEA					
Paediatrics	132,752	135,390	450,159	447,521	343,249
Adult Health	10,143	14,976	60,190	55,357	47,775
Other	434	35	1,126	1,525	993
Total EMEA	143,329	150,401	511,475	504,403	392,017
Americas					
Paediatrics	122,072	69,787	299,512	351,798	222,161
Adult Health	19,133	16,766	69,788	72,154	33,691
Other	518	37	198	680	158
Total Americas	141,723	86,590	369,499	424,632	256,010
Total	365,821	283,855	1,103,957	1,185,923	866,990

Q1 2023

Date of recognition	Jan-Mar	Jan-Mar	Jan-Dec
Performance obligations met on specific date (Product sales)	2023	2022	2022
Paediatrics	305,957	221,668	867,503
Adult Health	54,762	57,900	213,360
Other	2,887	587	4,488
Total	363,606	280,155	1,085,352
Performance obligations met over time (Royalty)			
Paediatrics	0	852	852
Adult Health	1,851	2,856	16,844
Other	364	-8	909
Total	2,215	3,700	18,606
Total	365,821	283,855	1,103,957

Note 2 Summary consolidated statement of changes in equity

(Amounts in SEK 000s)	Jan-Mar	Jan-Mar	Jan-Dec
	2023	2022	2022
Opening balance	1,972,418	1,877,367	1,877,367
New issue and repurchase of warrants	-417	-206	-214
Dividend	-	-	-301,331
Provision to Foundation to Prevent Antibiotic Resistance	-	-	-2,900
Comprehensive income for the period	114,866	79,485	399,495
Closing balance	2,086,868	1,956,646	1,972,418

Note 3 Largest shareholders at 31 March 2023 (source: Monitor)

	A shares	B shares	Share capital	No. of votes	Capital	Votes
1 Anwall & Rothschild Investments AB	3,703,340	500,000	840,668	37,533,400	4.2%	27.9%
2 EQT		11,164,630	2,232,926	11,164,630	11.1%	8.3%
3 Fjärde AP-fonden		7,840,182	1,568,036	7,840,182	7.8%	5.8%
4 Premier Miton Investors		6,215,183	1,243,037	6,215,183	6.2%	4.6%
5 TIN Fonder		3,144,175	628,835	3,144,175	3.1%	2.3%
6 Cargill Inc		3,000,000	600,000	3,000,000	3.0%	2.2%
7 Handelsbanken Fonder		2,600,081	520,016	2,600,081	2.6%	1.9%
8 AMF Pension & Fonder		2,395,985	479,197	2,395,985	2.4%	1.8%
9 Tredje AP-fonden		2,037,716	407,543	2,037,716	2.0%	1.5%
10 Juno Investment Partners		1,977,135	395,427	1,977,135	2.0%	1.5%
Other shareholders		56,403,883	11,280,777	56,403,883	55.9%	42.0%
Total	3,703,340	97,278,970	20,196,462	134,312,370	100%	100%

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Note 4 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 Nutraceuticals and is based on sales in Nutraceuticals in 2026 or 2027. The amount, which will be settled in April 2027 or 2028, may also be adjusted if the agreed budget for marketing costs is exceeded.

Revaluation took place during the first quarter of 2023 and BioGaia's best assessment of fair value of the financial liability related to the additional purchase price at 31 March 2023 was therefore adjusted to SEK 34.8 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. The value adjustment is recognised as a financial expense of SEK 1.5 million in the quarter.

(Amounts in SEK 000s)	Jan–Mar 2023	Jan–Dec 2022
Opening balance	33,627	100,591
Value adjustment	1,494	-80,013
Exchange differences	-302	13,049
Closing balance	34,819	33,627

Financial assets

BioGaia owns shares in the companies Boneprox AB and Skinome AB through BioGaia Invest at a cost 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.

During the period, no transactions occurred in Boneprox AB or Skinome AB to indicate a change in value. Fair value of these financial assets therefore corresponds to cost for Boneprox AB and value adjustment value in previous years for Skinome AB.

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.

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Consolidated key ratios

	Jan–Mar 2023	Jan–Mar 2022	Jan–Dec 2022
Net sales, SEK 000s	365,821	283,855	1,103,957
Growth of net sales	29%	41%	41%
Operating profit, SEK 000s	147,998	95,295	361,459
Adjusted operating profit, SEK 000s	150,400	99,959	366,526
Profit after tax, SEK 000s	115,945	76,297	373,582
Return on equity	6%	4%	19%
Return on capital employed	7%	5%	23%
Capital employed, SEK 000s	2,099,400	1,970,836	1,984,779
Number of shares, thousands	100,982	100,982	100,982
Average number of shares before dilution, thousands ¹⁾	100,982	100,982	100,982
Average number of shares after dilution, thousands ¹⁾	100,982	100,982	100,982
Earnings per share before dilution, SEK ¹⁾	1.15	0.76	3.70
Earnings per share after dilution, SEK ¹⁾	1.15	0.76	3.70
Equity per share, SEK ¹⁾	20.67	19.38	19.53
Equity/assets ratio	90%	88%	89%
Operating margin	40%	34%	33%
Adjusted operating margin	41%	35%	33%
Profit margin	41%	34%	41%
Average number of employees	215	189	203

1) Key ratio defined according to IFRS.

A list of definitions of key ratios reported in the consolidated financial statements is provided on page 121 of BioGaia's annual report for 2022. 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.

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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.
Adjusted operating margin	Adjusted operating margin excluding items affecting comparability.	The adjusted measure provides enhanced understanding of the performance of operations.
Adjusted operating profit	Operating profit (earnings before financial items and tax) excluding items affecting comparability.	The adjusted measure provides enhanced understanding of the performance of operations.
Items affecting comparability	Expenses in conjunction with restructuring, impairment, changes in provisions for share-based long-term incentive programmes and other items of a nature that affect comparability.	The separate recognition of items that affect comparability between different periods provides enhanced understanding of the company's financial performance.
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 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, organic growth and acquisitions.	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.

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Key ratio

Return on equity, SEK 000s	Jan–Mar 2023	Jan–Mar 2023	Jan–Dec 2022
Profit attributable to owners of the Parent Company (A)	115,945	76,297	373,773
Equity attributable to owners of the Parent Company	2,086,866	1,956,644	1,972,416
Average equity attributable to owners of the Parent Company (B)	2,029,641	1,917,005	1,924,891
Return on equity (A/B)	6%	4%	19%
Return on capital employed			
Operating profit	147,998	95,295	361,459
Financial income	2,758	3,769	91,540
Profit before net financial items + financial income (A)	150,756	99,064	452,999
Total assets	2,324,003	2,230,162	2,213,966
Interest-free liabilities	-224,603	-259,326	-229,187
Capital employed	2,099,400	1,970,836	1,984,779
Average capital employed (B)	2,042,090	1,931,222	1,938,193
Return on capital employed (A/B)	7%	5%	23%

Key ratio

(Amounts in SEK 000s)	31 Mar 2023	31 Mar 2022	31 Dec 2022
Equity/assets ratio			
Equity (A)	2,086,868	1,956,646	1,972,227
Total assets (B)	2,324,003	2,230,162	2,213,966
Equity/assets ratio (A/B)	90%	88%	89%
Operating margin			
Operating profit (A)	147,998	95,295	361,459
Net sales (B)	365,821	283,855	1,103,957
Operating margin (A/B)	40%	34%	33%
Profit margin			
Profit before tax (A)	150,561	97,367	447,613
Net sales (B)	365,821	283,855	1,103,957
Profit margin (A/B)	41%	34%	41%
Equity per share			
Equity attributable to owners of the Parent Company (A)	2,086,866	1,956,644	1,972,416
Average number of shares (B)	100,982	100,982	100,982
Equity per share (A/B)	20.67	19.38	19.53

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

	Paediatrics	Adult Health	Other	Total
(Amounts in SEK 000s)	Jan–Mar 2023	Jan–Mar 2023	Jan–Mar 2023	Jan–Mar 2023
Description				
A Previous year's net sales according to the average rate	222,520	60,756	579	283,855
B Net sales for the year according to the average rate	305,957	56,613	3,251	365,821
C Recognised change (B-A)	83,437	-4,143	2,671	81,965
Percentage change (C/A)	37%	-7%	461%	29%
D Net sales for the year according to the previous year's average	283,049	52,419	3,251	338,718
E Foreign exchange effects (B-D)	22,908	4,194	0	27,103
Percentage change (E/A)	10%	7%	0%	10%
F Organic change (C-E)	60,529	-8,337	2,671	54,862
Organic change, % (F/A)	27%	-14%	461%	19%

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Average key exchange rates	Jan–Mar	Jan–Mar	Jan–Dec
	2023	2022	2022
EUR	11.14	10.44	10.58
USD	10.42	9.32	10.03
JPY	0.0788	0.0804	0.0771

Closing date key exchange rates	31 Mar	31 Mar	31 Dec
	2023	2022	2022
EUR	11.28	10.34	11.13
USD	10.35	9.26	10.44
JPY	0.0780	0.0763	0.0792

Pledged assets and contingent liabilities	Group		
	31 Mar	31 Mar	31 Dec
(Amounts in SEK 000s)	2023	2022	2022
Floating charges	0	0	0
Contingent liabilities	None	None	None

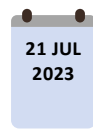
Adjusted operating profit	Group		
	Jan–Mar	Jan–Mar	Jan–Dec
(Amounts in SEK 000s)	2023	2023	2022
Operating profit	147,998	95,295	361,459
Adjustments	2,402	4,664	5,067
Adjusted operating profit	150,400	99,959	366,526

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Financial calendar



⌚ Annual General Meeting 2023



⌚ 8:00 a.m. CEST Interim Report 1 January – 30 June 2023



⌚ 8:00 a.m. CEST Interim management statement 1 January – 31 March 2023



⌚ 8:00 a.m. CEST Interim management statement 1 January – 30 September 2023

Stockholm, 5 May 2023

Isabelle Ducellier
CEO

This interim management statement has not been audited.

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BioGaia AB



The company

BioGaia is a Swedish world-leading probiotic company that has been at the forefront of microbiome research for more than 30 years with a vision of becoming the world's most trusted probiotic brand. BioGaia develops, markets and sells probiotic products for gut, oral and bone health with documented health effects. The products are primarily based on different strains of the lactic acid bacterium *Limosilactobacillus reuteri* (formerly *Lactobacillus*).

The class B shares of the Parent Company BioGaia AB are quoted on the Mid Cap List of Nasdaq Stockholm.

Business model

BioGaia stands on two strategic legs – sales through distribution partners and direct distribution to end consumers. The 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 in more than 100 countries through distribution partnerships with nutrition and pharmaceutical companies and through direct distribution. BioGaia's direct distribution extends across six countries (Sweden, Finland, the UK, USA, Canada and Japan).

BioGaia holds patents for the use of certain strains of *L. reuteri* and certain packaging solutions in all major markets. At the end of 2022, BioGaia held more than 600 approved patents for various bacteria strains.

The BioGaia brand

BioGaia launched its own consumer brand in 2006. Today, a number of BioGaia's distribution partners sell finished products under the BioGaia brand in a number of markets. One important element of BioGaia's brand strategy is to increase the percentage of sales under the BioGaia brand. Of products (drops, tablets for gut and oral health, oral rehydration, etc.) sold in 2022, 86% (81%) 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 in the world, in particular studies in young children, with strong pre-clinical and clinical evidence. As of December 2022, over 250 clinical studies with BioGaia's various strains of *L. reuteri* have been performed. These studies involved more than 21,000 individuals of all ages in total.

During the year, BioGaia has performed studies in the following areas:

- Colic and constipation in infants
- Preventing infections in infants and adults
- Functional abdominal pain in children
- Antibiotic-associated diarrhoea (AAD)
- Acute diarrhoea
- Gingivitis (inflammation of the gums)
- Periodontal disease
- General health
- *Helicobacter pylori*
- Osteopenia
- Autism spectrum condition
- Depression
- Bone health
- Urinary tract infections

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