

BioGaia AB

Year-end report

January – December 2023



Q4 2023

FOURTH QUARTER 2023

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

Net sales amounted to SEK 297.8 million (274.3), an increase of SEK 23.5 million, or 9% (excluding foreign exchange effects, 7%).

Net sales in the Pediatrics segment amounted to SEK 220.0 million (207.4), an increase of 6% (excluding foreign exchange effects an increase of 5%).

Net sales in the Adult Health segment amounted to SEK 76.4 million (64.7), an increase of 18% (excluding foreign exchange effects, an increase of 17%). Operating expenses amounted to SEK 144.9 million (136.9), an increase of SEK 8.0 million (6%). Operating expenses, excluding items affecting comparability, increased by 7% to SEK 144.9 million (135.1). Operating profit increased by 13% to SEK 80.5 million (71.1), which corresponds to an operating margin of 27% (26%).

Adjusted operating profit increased by 10% to SEK 80.5 million (72.9), which corresponds to an adjusted operating margin of 27% (27%).

Profit after tax amounted to SEK 67.4 million (139.4), a decrease of 52%. Earnings per share amounted to SEK 0.67 (1.38) before and after dilution.¹⁾ Cash flow amounted to SEK 100.2 million (89.0).

Cash and cash equivalents at December 31, 2023 amounted to SEK 1,544.2 million (1,488.4 at December 31, 2022).

Key events in the fourth quarter of 2023

16 October. BioGaia announced that results for the third quarter exceeded market expectations.

JANUARY - DECEMBER 2023

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

Net sales amounted to SEK 1,296.5 million (1,104.0), an increase of SEK 192.5 million, or 17% (excluding foreign exchange effects, 11%).

Net sales in the Pediatrics segment amounted to SEK 1,013.5 million (868.4), an increase of 17% (excluding foreign exchange effects, 11%).

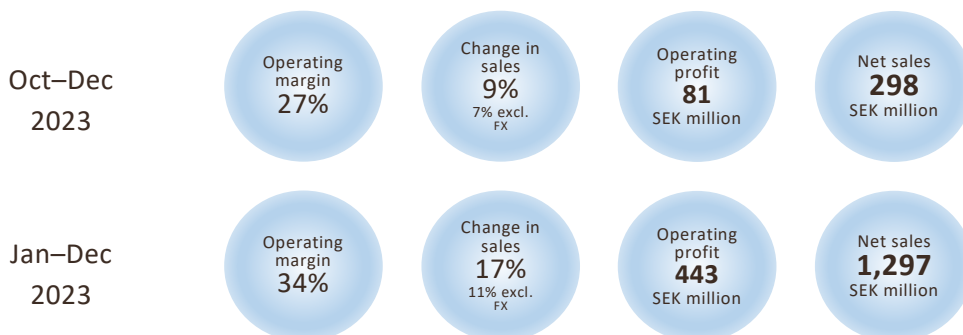
Net sales in the Adult Health segment amounted to SEK 275.2 million (230.2), an increase of 20% (excluding foreign exchange effects, an increase of 14%). Operating expenses amounted to SEK 507.1 million (440.5), an increase of SEK 66.6 million (15%). Operating expenses, excluding items affecting comparability, increased by 16% to SEK 505.9 million (435.4). Operating profit increased by 23% to SEK 443.1 million (361.5), which corresponds to an operating margin of 34% (33%). Adjusted operating profit increased by 21% to SEK 444.2 million (366.5), which corresponds to an adjusted operating margin of 34% (33%). Profit after tax amounted to SEK 365.4 million (373.8), a decrease of 2%. Earnings per share amounted to SEK 3.62 (3.70) before and after dilution.¹⁾ Cash flow amounted to SEK 66.6 million (-12.8). Cash flow includes paid dividends of SEK 292.8 million (301.3).

In October 2020 BioGaia announced that it had carried out a directed issue of 2.86 million class B shares, raising proceeds of SEK 1.1 billion. Since then, BioGaia has further evaluated several larger potential acquisitions, but could not satisfactorily conclude the viability or strategic fit. For the coming years BioGaia will focus on evaluating smaller and more tactical acquisitions. With this change in acquisition strategy BioGaia has an excess cash position and has therefore decided to increase its future dividends as follows. In addition to the current dividend policy of 50% of the group earnings after tax and after adjustment of non-recurring items, for the coming years BioGaia intends to give extra dividends of 50 to 100% of the group earnings after tax and after adjustment of non-recurring items, provided that the future cash flows are in line with BioGaia's projections. BioGaia will still have sufficient net cash to allow selective acquisitions of considerable size while maintaining sufficient funding to deal with future potential variations of the group earnings.

The Board proposes that the upcoming Annual General Meeting on 7 May 2024 approves an ordinary dividend according to policy of SEK 1.90 (1.45) per share, plus an extra dividend of SEK 5.00 (1.45) per share resulting in a total dividend of SEK 6.90 (2.90) per share, corresponding to SEK 696.8 million (292.8). The Board further proposes a provision to the Foundation to Prevent Antibiotic Resistance of SEK 4.4 million (4.4).

Key events after the end of the fourth quarter

No key events that are not presented in this year-end report took place after the end of the fourth quarter.



	Oct-Dec 2023	Oct-Dec 2022
Net sales, SEK 000s	297,774	274,283
Growth in net sales	9%	33%
Operating profit, SEK 000s	80,530	71,126
Operating margin	27%	26%
Profit after tax, SEK 000s	67,359	139,428
Number of shares, thousands	100,982	100,982
Earnings per share, before and after dilution, SEK ¹⁾	0.67	1.38

1) Key ratio defined according to IFRS. For definitions of other key ratios, see page 17.

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 08.00 a.m. CET on February 7, 2024.

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BioGaia AB (publ.) Year-end Report 2023

The Board of Directors and the CEO of BioGaia AB hereby present the year-end report for the period 1 January – 31 December 2023.

CEO's comments

Another record year

This fourth quarter is my first full quarter as CEO of BioGaia. It has been a successful and eventful quarter - and I have had time to form a view of where we have our opportunities and challenges, and how we should prioritize to drive future continued growth. I am grateful to have been entrusted to lead BioGaia into the next phase of expansion.

As we now round off 2023, we can state that we have managed to maintain strong growth despite all the challenges of the outside world such as war, inflation, and geopolitical tensions. Net sales in 2023 amounted to SEK 1,297 million, an increase of 17% in comparison with last year. Adjusted for currency effects, this increase was 11%. Despite ongoing investments in the expansion of our direct distribution business, we have managed to maintain our high operating margins.

The Pediatric segment, which accounts for most of our sales, increased by 17% compared to the previous year. The Adult segment is growing by 20% compared to previous years. This is a sign of strength as we during the year have focused even more on increasing awareness of our products to adults.

Americas and APAC are developing strongly

At the beginning of the year of 2023, we started direct distribution in Canada after the previous partner distribution agreement with Ferring ended. The decision to start our own direct business has proven to be successful, and we have benefited from the operational synergies we now have with our US direct business.

Americas, which includes the USA, Canada, and Latin America, developed positively during the year. Online sales continue to grow strongly in the US with our direct business. One of our partners, Gerber, a Nestlé company, decided to stop selling their co-branded Gerber/BioGaia products and focus solely on their own products. Despite this, USA continued to outperform with growth of 26% in the fourth quarter.

Even though we only took over the distribution in Canada at the beginning of the year, we have had a strong increase in sales of BioGaia products during 2023. This is the result of excellent work by the new Canadian team to establish the BioGaia brand on Amazon, in Costco, and in several retail chains in the country. To increase awareness of our products in Canada, we have invested in training pharmacists and pharmacy staff, as well as increased visibility through influencer collaborations and partnerships with parent sites. In Latin America, sales continue to strongly increase thanks to our committed distribution partners. Above all, Brazil, Mexico, and Guatemala stand out with exceptional results.

The APAC region, especially China, South Korea and the Philippines has had impressive growth during the quarter and the full year. In China, we have had great success with digital marketing and sales via various social platforms, of which TikTok is a great example. In Japan, the dental profession is our main focus, and we have seen strong growth by building even more relationships with dental clinics and participating in important dental congresses.

During the quarter, a Sales and Marketing Conference for regional APAC distribution partners was organized to share our company

strategy and best practices from around the region. This will serve as the foundation for our growth plans for the region for the coming year.

In the fourth quarter our sales in EMEA decreased by 29% which is partly explained by the fact that BioGaia terminated the distribution agreement and stopped supplying the Italian company Nóos S.r.l. in August 2023 for non-performance.

While the matter has gone to arbitration, BioGaia is securing the availability of our products on the Italian market through our previous sub-distributor.

Despite the global economic slowdown, we have impressive and stable sales growth in the Americas and APAC. This confirms our thinking that BioGaia's Protectis drops for infants are resilient even in a downturn and in addition, that consumers will act on their belief in the importance of a healthy lifestyle and taking probiotic health supplements to prevent health problems.



We continue to raise awareness of BioGaia and superior probiotics
Strengthening BioGaia's brand is always a priority, and we regularly evaluate consumers' views of us. To continue building the brand, we, among other things, ran campaigns targeting different consumer segments in various channels. We are also working to increase knowledge about specific probiotics and therefore during the quarter we have launched a new updated consumer site (www.biogaia.com) where education about probiotics has a prominent role. BioGaia is one of the world leaders in probiotics and as a leader, it is crucial to drive and be part of initiatives that continually propel the industry forward. That is why we are members of organizations such as the International Probiotics Association (IPA), a global non-profit organization committed to advocating for the safe and efficacious use of pre-, pro-, and post-biotics worldwide. Recently, IPA announced me as a new member of the board for the global IPA, and as a new board member, I want to take the opportunity to raise education, sustainability, and lobbying high on the agenda. I strongly believe these are the key factors in successfully advancing the industry.

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Milestones in our research

As we prioritize R&D, it is gratifying to see that the World Gastroenterology Organization (WGO) updated and published new guidelines for probiotics in 2023 where BioGaia's strain is once again mentioned. In the publication, *L. reuteri* DSM 17938 is the only probiotic strain with level 1 evidence for infant colic. BioGaia's probiotics for adults are also rated among the highest levels of evidence.

Through our newly built pilot facility in Eslöv, we have taken an important step towards developing and scaling up products that will contain next-generation probiotics. The facility handles the production of new strict anaerobic (oxygen-sensitive) strains that require new challenging steps during fermentation, as well as the production of traditional lactobacilli. Furthermore, during the year we have invested in a second production line for BioGaia Protectis Easy Dropper products.

With our research, we lay the foundation for continued innovation for the future and continue to solidify the clinical evidence for our probiotic strains in both existing and new indications.

Entering the next phase of growth

BioGaia is on the journey to continue to grow our sales. BioGaia's Protectis drops for infants continue to meet strong demand, thus showing high resilience during the economic downturn. At the same time, we work continuously to review our costs to continue to manage the unpredictable outside world. In 2024, we will make evidence based targeted significant investments in marketing and sales with the intention of further increasing our growth rate for our pediatric and adult products.

We have a unique competitive advantage where we succeed in combining BioGaia's consumer-adapted product portfolio, our evidence-based research, and our well-functioning omnichannel strategy to meet consumers' needs. In addition, we have talented distribution partners who work diligently to educate the medical and healthcare professionals, as well as retailers, around the world about our products and our scientific research. Based on these strengths, the entire BioGaia team and I, are ready to accelerate growth and take further steps to be the most trusted probiotic brand in the world.

Theresa Agnew
President and CEO, BioGaia
February 7, 2024

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Revenue

SEKm	Oct–Dec 2023	Oct–Dec 2022	Change
Pediatrics	220.0	207.4	6%
Adult Health	76.4	64.7	18%
Other	1.3	2.1	-40%
Total	297.8	274.3	9%

SEKm	Oct–Dec 2023	Oct–Dec 2022	Change
EMEA	91.7	128.4	-29%
APAC	96.1	60.0	60%
Americas	109.9	85.9	28%
Total	297.8	274.3	9%

	Jan–Dec 2023	Jan–Dec 2022	Change
Pediatrics	1,013.5	868.4	17%
Adult Health	275.2	230.2	20%
Other	7.8	5.4	44%
Total	1,296.5	1,104.0	17%

	Jan–Dec 2023	Jan–Dec 2022	Change
EMEA	491.8	511.5	-4%
APAC	304.1	223.0	36%
Americas	500.6	369.5	35%
Total	1,296.5	1,104.0	17%

SALES FOURTH QUARTER

Consolidated net sales amounted to SEK 297.8 million (274.3), which is an increase of SEK 23.5 million, or 9% (excluding foreign exchange effects, 7%).

Sales in EMEA amounted to SEK 91.7 million (128.4), a decrease of 29%, which was due to lower sales in the Pediatrics segment. Sales decreased mainly in Eastern Europe, France, and Italy. BioGaia terminated the distribution agreement and stopped supplying the Italian company Néos S.r.l. in August 2023 for non-performance. While the matter has gone to arbitration, BioGaia is securing the availability of our products on the Italian market through our previous sub-distributor.

Sales in APAC amounted to SEK 96.1 million (60.0), an increase of 60%, which was due to higher sales in both the Pediatrics and Adult Health segments. Sales increased mainly in China, South Korea, and the Philippines.

Sales in Americas totaled SEK 109.9 million (85.9), up 28% due to increased sales in both the Pediatrics and Adult Health segments. Sales mainly increased in BioGaia USA, Brazil and Canada. One of our partners in the US, Gerber, a Nestlé company, announced that they would stop selling BioGaia's products and focus solely on their own products. Despite this, USA continued to outperform with growth of 26% in the fourth quarter. In Brazil sales was positively impacted by an inventory build-up due to the launch of Easy Dropper in Brazil.

Net sales bridge fourth quarter

SEKm		Change
2022	274.3	
Foreign exchange	3.3	1.2%
Organic growth	20.2	7.4%
2023	297.8	8.6%

SALES JANUARY-DECEMBER

Consolidated net sales amounted to SEK 1,296.5 million (1,104.0), which is an increase of SEK 192.5 million, or 17% (excluding foreign exchange effects, 11%).

Sales in EMEA amounted to SEK 491.8 million (511.5), a decrease of 4%, which was due to lower sales in the Pediatrics segment. Sales in EMEA declined mainly in Italy and France.

Sales in APAC totaled SEK 304.1 million (223.0), up 36% due to increased sales in both the Pediatrics and Adult Health segments. Sales increased primarily in China, South Korea, and the Philippines.

Sales in Americas totaled SEK 500.6 million (369.5), up 35% due to increased sales in both the Pediatrics and Adult Health segments. Sales mainly increased in BioGaia USA, Canada and Brazil.

Net sales bridge January-December

SEKm		Change
2022	1,104.0	
Foreign exchange	67.2	6.1%
Organic growth	125.4	11.4%
2023	1,296.5	17.4%

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Pediatrics



The Pediatrics 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 Pediatrics segment include Protectis tablets, oral rehydration solution as well as cultures to be used as ingredients in licensee products.

SEKm	Oct-Dec 2023	Oct-Dec 2022	Change
Pediatrics	220.0	207.4	6%

Jan-Dec 2023	Jan-Dec 2022	Change
1,013.5	868.4	17%

SALES FOURTH QUARTER

Sales in the Pediatrics segment amounted to SEK 220.0 million (207.4), an increase of 6% (excluding foreign exchange effects 5%).

Sales of BioGaia Protectis drops decreased compared to the corresponding period last year. Sales decreased mainly in EMEA and slightly in Americas while sales in APAC increased. Sales decreased mainly in Eastern Europe, France and Spain.

Sales of BioGaia Protectis tablets within Pediatrics increased compared to the corresponding period last year. Sales increased in APAC and Americas, mainly in the Philippines and Canada.

SALES JANUARY-DECEMBER

Sales in the Pediatrics segment amounted to SEK 1,013.5 million (868.4), an increase of 17% (excluding foreign exchange effects, 11%).

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

Sales of BioGaia Protectis tablets within the Pediatrics segment increased compared to the corresponding period last year. Sales increased in Americas and APAC, mainly in Brazil and Canada.

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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 Osortis, as well as cultures as an ingredient in a licensee's dairy products and Nutraceutics' own products.

SEKm	Oct–Dec 2023	Oct–Dec 2022	Change
Adult Health	76.4	64.7	18%

Jan–Dec 2023	Jan–Dec 2022	Change
275.2	230.2	20%

SALES FOURTH QUARTER

Sales in the Adult Health segment amounted to SEK 76.4 million (64.7), an increase of 18% (excluding foreign exchange effects, 17%).

Sales of BioGaia Protectis tablets increased compared to the corresponding period last year. Sales increased in APAC and EMEA, mainly in Singapore and Thailand.

Sales of BioGaia Gastrus increased compared to the corresponding period last year. Sales increased in all regions.

Sales of BioGaia Prodentis increased compared to the corresponding period last year. Sales increased in all regions, mainly in South Korea and the USA.

SALES JANUARY-DECEMBER

Sales in the Adult Health segment amounted to SEK 275.2 million (230.2), an increase of 20% (excluding foreign exchange effects, 14%).

Sales of BioGaia Protectis tablets increased compared to the corresponding period last year. Sales increased in EMEA and APAC, mainly in Hong Kong.

Sales of BioGaia Gastrus increased compared to the corresponding period last year. Sales increased in all regions, mainly in the USA.

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

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Earnings

Fourth quarter

Gross margin

The total gross margin amounted to 76% (76%).

The gross margin for the Pediatrics segment amounted to 78% (77%) and for the Adult Health segment to 68% (72%).

Operating expenses and operating profit

Operating expenses amounted to SEK 144.9 million (136.9), an increase of SEK 8.0 million (6%). Operating expenses, excluding items affecting comparability, increased by 7% to SEK 144.9 million (135.1).

Selling expenses amounted to SEK 97.4 million (88.5), an increase of 10%, mainly due to higher costs for sales and marketing activities.

R&D expenses amounted to SEK 28.6 million (31.4), a decrease of 9%.

Administrative expenses amounted to SEK 10.2 million (13.4), a decrease of 24%.

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK 8.6 million (3.5).

Operating profit amounted to SEK 80.5 million (71.1), an increase of 13%. The operating margin was 27% (26%).

Adjusted operating profit amounted to SEK 80.5 million (72.9), an increase of 10%. The adjusted operating margin was 27% (27%).

Net financial items amounted to SEK 7.7 million (81.3). Net financial items were impacted by the adjustment of the value of the earn-out in relation to Nutraceutics in the amount of SEK -12.8 (76.0) million.

Profit after tax and earnings per share

Profit after tax amounted to SEK 67.4 million (139.2), a decrease of 52%. The effective tax rate was 24% (9%). Profit after tax is impacted by a non-taxable financial expense or income from the adjustment of the value of the additional purchase price. The effective tax rate in the same quarter last year was lower due to the financial income from the value adjustment.

Earnings per share amounted to SEK 0.67 (1.38). There are no dilutive effects.

January-December

Gross margin

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

The gross margin for the Pediatrics segment amounted to 75% (74%) and for the Adult Health segment to 67% (67%).

Operating expenses and operating profit

Operating expenses amounted to SEK 507.1 million (440.5), an increase of SEK 66.6 million (15%). Operating expenses, excluding items affecting comparability, increased by 16% to SEK 505.9 million (435.4). Items affecting comparability primarily include restructuring costs for personnel and costs related to terminating rental premises in Lund.

Selling expenses amounted to SEK 363.3 million (320.8), an increase of 13%, mainly due to higher costs for sales and marketing activities.

R&D expenses amounted to SEK 106.8 million (106.8), an increase of 0%.

Administrative expenses amounted to SEK 39.2 million (39.8), a decrease of 1%.

Other operating expenses refers to exchange losses/gains on receivables and liabilities of an operating nature and amounted to SEK -2.2 million (-27.0).

Operating profit amounted to SEK 443.1 million (361.5), an increase of 23%. The operating margin was 34% (33%).

Adjusted operating profit amounted to SEK 444.2 million (366.5), an increase of 21%. The adjusted operating margin was 34% (33%). Items affecting comparability primarily include restructuring costs for personnel and costs related to terminating rental premises in Lund.

Net financial items amounted to SEK 25.7 million (86.2). Net financial items were impacted by the adjustment of the value of the earn-out in relation to Nutraceutics in the amount of SEK -15.0 (80.0) million.

Profit after tax and earnings per share

Profit after tax amounted to SEK 365.4 million (373.8), a decrease of 2%. The effective tax rate was 22% (16%).

Earnings per share amounted to SEK 3.62 (3.70). There are no dilutive effects.

Parent Company

The Parent Company's net sales amounted to SEK 1,015.8 million (945.3) and profit before tax was SEK 406.7 million (316.0). The financial net includes dividend amounting to 50.0 million. The financial performance of the Parent Company is in all material respects aligned with that of the Group. In the fourth quarter 2023 MetaboGen AB was merged into the parent company. The material impact on the parent company includes a merger result of SEK -23.6 million, intangible assets of SEK 45.9 million and deferred tax liability of SEK 9.4 million.

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Balance sheet and cash flow

Balance sheet December 31, 2023

Total assets amounted to SEK 2,333.2 million (2,214.0) at December 31, 2023.

Goodwill from the acquisition of Nutraceuticals was adjusted for currency translation. The financial liability for the additional purchase price was value adjusted. For more information, see Note 3.

Compared with the preceding year, payables and inventories increased while receivables decreased.

During the year the lease agreement for the Group headquarters was renewed, thereby increasing right-of-use assets and liabilities by SEK 22.6 million respectively.

Cash and cash equivalents at December 31, 2023 amounted to SEK 1,544.2 million (SEK 1,488.4 million at December 31, 2022).

Cash flow fourth quarter

Cash flow amounted to SEK 100.2 million (89.0).

Cash flow from operating activities amounted to SEK 121.8 million (94.2). The increase in cash flow in operations compared with the year-earlier period was mainly due to higher operating profit and interest received and a positive change in working capital.

Investments amounted to SEK 13.9 million (2.6). The increase was primarily attributable to investments in production capacity in BioGaia Production.

Cash flow January-December

Cash flow amounted to SEK 66.6 million (-12.8). The cash flow includes a dividend payment of SEK 292.8 million (301.3).

Cash flow from operating activities amounted to SEK 426.0 million (318.9). The increase in cash flow in operations compared with the year-earlier period was mainly due to higher operating profit and interest received despite a negative change in working capital.

Investments amounted to SEK 50.9 million (18.1). The increase was primarily attributable to investments in production capacity in BioGaia Production.

Other disclosures

Employees

The number of employees in the Group at December 31, 2023 totaled 210 (212 at December 31, 2022).

The company has an incentive program 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 program, BioGaia has also implemented a subscription warrants program as resolved by the 2021 Annual General Meeting.

Future outlook

BioGaia's goal is to create strong value growth and a good return for its 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 December 31, 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, 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 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 730,000 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.

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Key events in the fourth quarter of 2023

Launches in the fourth quarter of 2023

Distributor	Country	Product
Sued	Dominican Republic	BioGaia Gastrus
Nestlé	Spain, Portugal	NanCare B.lactis drops 5 ml
Ewopharma	Slovakia	BioGaia Gastrus
Ewopharma	Romania	BioGaia Gastrus
Ewopharma	Czech Republic	BioGaia Gastrus
BioGaia	UK	BioGaia Pharax 5 ml
BioGaia	China	BioGaia Protectis tablets strawberry
Abbott Singapore	Singapore	BioGaia Protectis tablets with vitamin D
MTC Pharma	Vietnam	BioGaia Prodentis lozenges with new taste (apple)
Abbott/Zuellig Pharma	Cambodia	BioGaia Protectis minipack

BioGaia announced third quarter results. On October 16, BioGaia announced that results for the third quarter exceeded market expectations.

Key events after the end of the fourth quarter of 2023

No key events that are not presented in this year-end report took place after the end of the fourth quarter.

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 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.

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Summary consolidated statements of comprehensive income

(Amounts in SEK 000s)	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net sales (Note 1)	297,774	274,283	1,296,506	1,103,957
Cost of sales	-72,381	-66,291	-346,316	-302,028
<i>Gross profit</i>	225,393	207,992	950,190	801,929
Selling expenses	-97,397	-88,538	-363,256	-320,798
Administrative expenses	-10,174	-13,423	-39,249	-39,818
Research and development expenses	-28,646	-31,431	-106,776	-106,805
Other operating income/expenses	-8,646	-3,474	2,194	26,951
<i>Operating profit</i>	80,530	71,126	443,103	361,459
Financial income	20,868	81,428	41,532	91,540
Financial expenses	-13,207	-105	-15,801	-5,386
<i>Profit before tax</i>	88,191	152,449	468,834	447,613
Tax	-20,832	-13,021	-103,482	-73,840
Profit for the period	67,359	139,428	365,352	373,773
Gains/losses arising on translation of the statements of foreign operations	-22,288	-15,846	-9,762	25,722
Comprehensive income for the period	45,071	123,582	355,590	399,495
Profit for the period attributable to: Owners of the Parent Company	67,359	139,428	365,352	373,773
Non-controlling interests	-	-	-	-
	67,359	139,428	365,352	373,773
Comprehensive income for the period attributable to: Owners of the Parent Company	45,071	123,582	355,590	399,495
Non-controlling interests	-	-	-	-
	45,071	123,582	355,590	399,495
Earnings per share				
Earnings per share before dilution, (SEK *)	0.67	1.38	3.62	3.70
Earnings per share after dilution, (SEK *)	0.67	1.38	3.62	3.70
Number of shares (thousands)	100,982	100,982	100,982	100,982
Average number of shares before dilution, (thousands *)	100,982	100,982	100,982	100,982
Average number of shares after dilution, (thousands *)	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.

Q4 2023

Consolidated balance sheets

Summary (amounts in SEK 000s)	Dec 31 2023	Dec 31 2022
Assets		
R&D projects in progress	46,230	46,075
Goodwill	165,174	171,517
Right-of-use assets	36,156	13,557
Property, plant and equipment	177,172	144,168
Financial assets	28,013	25,793
Deferred tax assets	5,964	15,325
Deposits	48	50
Total non-current assets	458,757	416,485
Current assets excl. cash and cash equivalents	330,240	309,115
Cash and cash equivalents	1,544,192	1,488,366
Total current assets	1,874,432	1,797,481
Total assets	2,333,189	2,213,966
Equity and liabilities		
Equity attributable to owners of the Parent Company	2,030,342	1,972,416
Non-controlling interests	2	2
Total equity	2,030,344	1,972,418
Deferred tax liability	15,179	12,552
Non-current liabilities	91,932	64,005
Current liabilities	195,734	164,991
Total liabilities and equity	2,333,189	2,213,966

Q4 2023

Consolidated cash flow statements

Summary (amounts in SEK 000s)	Oct–Dec 2023	Oct–Dec 2022	Jan–Dec 2023	Jan–Dec 2022
Operating activities				
Operating profit	80,530	71,126	443,103	361,459
Depreciation/amortisation	7,063	6,640	25,281	23,890
Other non-cash items	73	2,945	-1,478	-9,103
Taxes	-7,565	1,760	-80,294	-54,910
Interest received and paid	20,223	5,137	40,461	2,248
Cash flow from operating activities before changes in working capital	100,324	87,608	427,073	323,584
Changes in working capital	21,457	6,601	-1,108	-4,641
Cash flow from operating activities	121,781	94,209	425,965	318,943
Purchase of property, plant and equipment	-13,862	-2,373	-48,568	-17,916
Purchase of intangible assets	-49	-225	-146	-225
Purchase of financial assets	-	-	-2,221	-
Cash flow from investing activities	-13,911	-2,598	-50,935	-18,141
Dividend	-	-	-292,849	-301,331
Repayment of lease liability	-3,226	-2,603	-10,755	-9,143
Provision to Foundation to Prevent Antibiotic Resistance	-4,400	-	-4,400	-2,900
Repurchase of warrants	-	-8	-417	-214
Cash flow from financing activities	-7,626	-2,611	-308,421	-313,588
Cash flow for the period	100,244	89,000	66,609	-12,786
Cash and cash equivalents at the beginning of the period	1,452,528	1,402,409	1,488,366	1,484,680
Exchange difference in cash and cash equivalents	-8,580	-3,043	-10,783	16,472
Cash and cash equivalents at the end of the period	1,544,192	1,488,366	1,544,192	1,488,366

Summary consolidated statement of changes in equity

(Amounts in SEK 000s)	Jan–Dec 2023	Jan–Dec 2022
Opening balance	1,972,418	1,877,367
New issue and repurchase of warrants	-417	-214
Dividend	-292,849	-301,331
Provision to Foundation to Prevent Antibiotic Resistance	-4,400	-2,900
Comprehensive income for the period	355,590	399,495
Closing balance	2,030,344	1,972,418

Q4 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:

- **Pediatrics segment** (drops, gut health tablets, oral rehydration solution (ORS) and cultures to be used as ingredients in licensee products (such as infant formula).

- **Adult Health segment** (gut 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 and liabilities.

(Amounts in SEK 000s)	Oct–Dec 2023	Oct–Dec 2022	Jan–Dec 2023	Jan–Dec 2022
Revenue by segment				
Pediatrics	220,037	207,391	1,013,522	868,355
Adult Health	76,449	64,749	275,230	230,205
Other	1,288	2,144	7,753	5,398
Total	297,773	274,283	1,296,506	1,103,957
Gross profit by segment				
Pediatrics	171,800	159,059	760,128	643,607
Adult Health	52,304	46,912	183,136	153,298
Other	1,288	2,022	6,925	5,025
Total	225,392	207,992	950,189	801,929
Selling, administrative, R&D expenses	-136,217	-133,392	-509,281	-467,421
Other operating expenses/income	-8,646	-3,474	2,191	26,951
Operating profit	80,530	71,126	443,103	361,459
Net financial items	7,661	81,323	25,731	86,154
Profit before tax	88,191	152,449	468,834	447,613
Sales by geographical market				
APAC				
Pediatrics	59,116	28,008	176,797	118,684
Adult Health	36,147	30,484	121,999	100,226
Other	877	1,502	5,289	4,074
Total APAC	96,139	59,994	304,085	222,983
EMEA				
Pediatrics	73,740	112,962	424,930	450,159
Adult Health	17,574	14,844	65,275	60,190
Other	384	608	1,575	1,126
Total EMEA	91,698	128,415	491,781	511,475
Americas				
Pediatrics	87,181	66,420	411,795	299,512
Adult Health	22,728	19,421	87,955	69,788
Other	27	34	889	198
Total Americas	109,936	85,875	500,640	369,499
Total	297,773	274,283	1,296,506	1,103,957

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Date of recognition Performance obligations met on specific date (Product sales)	Oct–Dec 2023	Oct–Dec 2022	Jan–Dec 2023	Jan–Dec 2022
Pediatrics	220,037	207,391	1,013,522	867,503
Adult Health	74,299	62,452	266,030	213,360
Other	955	1,630	6,392	4,488
Total	295,291	271,473	1,285,944	1,085,352
Performance obligations met over time (Royalty)				
Pediatrics	-	-	-	852
Adult Health	2,150	2,296	9,201	16,844
Other	333	514	1,361	909
Total	2,483	2,810	10,561	18,606
Total	297,773	274,283	1,296,506	1,103,957

Note 2. Largest shareholders at December 31, 2023 (source: Vantage by Euroclear)

	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	4.16%	27.94%
2 EQT		11,164,630	2,232,926	11,164,630	11.06%	8.31%
3 Fjärde AP-fonden		7,750,182	1,550,036	7,750,182	7.67%	5.77%
4 Premier Miton Investors		4,306,888	861,378	4,306,888	4.26%	3.21%
5 Cargill Inc		3,000,000	600,000	3,000,000	2.97%	2.23%
6 TIN Fonder		3,000,000	600,000	3,000,000	2.97%	2.23%
7 Tredje AP-fonden		2,380,915	476,183	2,380,915	2.36%	1.77%
8 Juno Selection Fund		1,977,135	395,427	1,977,135	1.96%	1.47%
9 Handelsbanken Fonder AB		1,939,411	387,882	1,939,411	1.92%	1.44%
10 AMF Fonder & Pension		1,862,368	372,474	1,862,368	1.84%	1.39%
Other shareholders		59,397,441	11,879,488	59,397,441	58.82%	44.22%
Total	3,703,340	97,278,970	20,196,462	134,312,370	100%	100%

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Note 3. 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 Nutraceutics 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 fourth quarter of 2023 and BioGaia's best assessment of fair value of the financial liability related to the additional purchase price at December 31, 2023 was therefore adjusted to SEK 46.5 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 15.0 million (-80.0) during the twelve-month period. The weighted average cost of capital (WACC) amounted to 10.41% (11.21% at December 31, 2022). The main impact for the value adjustment was a more positive outlook on sales at the end of the earnout period.

(Amounts in SEK 000s)	Jan–Dec 2023	Jan–Dec 2022
Opening balance	33,627	100,591
Value adjustment	14,992	-80,013
Exchange differences	-2,090	13,049
Closing balance	46,529	33,627

Financial assets

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

Q4 2023

Consolidated key ratios

	Jan–Dec 2023	Jan–Dec 2022
Net sales, SEK 000s	1,296,506	1,103,957
Growth of net sales	17%	41%
Operating profit, SEK 000s	443,103	361,459
Adjusted operating profit, SEK 000s	444,247	366,526
Profit after tax, SEK 000s	365,352	373,773
Return on equity	18%	19%
Return on capital employed	24%	23%
Capital employed, SEK 000s	2,045,523	1,984,779
Number of shares, thousands	100,982	100,982
Average number of shares before dilution, thousands ¹⁾	100,982	100,982
Average number of shares after dilution, thousands ¹⁾	100,982	100,982
Earnings per share before dilution, SEK ¹⁾	3.62	3.70
Earnings per share after dilution, SEK ¹⁾	3.62	3.70
Equity per share, SEK	20.11	19.53
Equity/assets ratio	87%	89%
Operating margin	34%	33%
Adjusted operating margin	34%	33%
Profit before tax margin	36%	41%
Average number of employees	213	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. 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 programs 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 before tax 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

	Jan–Dec 2023	Jan–Dec 2022
Return on equity, SEK 000s		
Profit attributable to owners of the Parent Company (A)	365,352	373,773
Equity attributable to owners of the Parent Company	2,030,342	1,972,416
Average equity attributable to owners of the Parent Company (B)	2,001,379	1,924,891
Return on equity (A/B)	18%	19%
Return on capital employed		
Operating profit	443,103	361,459
Financial income	41,532	91,540
Profit before net financial items + financial income (A)	484,635	452,999
Total assets	2,333,190	2,213,966
Interest-free liabilities	-287,666	-229,187
Capital employed	2,045,523	1,984,779
Average capital employed (B)	2,015,151	1,938,193
Return on capital employed (A/B)	24%	23%

Key ratio

(Amounts in SEK 000s)	Dec 31 2023	Dec 31 2022
Equity/assets ratio		
Equity (A)	2,030,344	1,972,418
Total assets (B)	2,333,189	2,213,966
Equity/assets ratio (A/B)	87%	89%
Operating margin		
Operating profit (A)	443,103	361,459
Net sales (B)	1,296,506	1,103,957
Operating margin (A/B)	34%	33%
Profit before tax margin		
Profit before tax (A)	468,834	447,613
Net sales (B)	1,296,506	1,103,957
Profit before tax margin (A/B)	36%	41%
Equity per share		
Equity attributable to owners of the Parent Company (A)	2,030,342	1,972,416
Average number of shares (B)	100,982	100,982
Equity per share (A/B)	20.11	19.53

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

(Amounts in SEK 000s)	Pediatrics		Adult Health		Other		Total	
	Oct–Dec 2023	Jan–Dec 2023	Oct–Dec 2023	Jan–Dec 2023	Oct–Dec 2023	Jan–Dec 2023	Oct–Dec 2023	Jan–Dec 2023
Description								
A Previous year's net sales according to the average rate	207,391	868,355	64,749	230,205	2,144	5,398	274,284	1,103,958
B Net sales for the year according to the average rate	220,037	1,013,522	76,449	275,230	1,288	7,753	297,773	1,296,505
C Recognised change (B-A)	12,646	145,167	11,700	45,026	-857	2,354	23,489	192,547
Percentage change (C/A)	6%	17%	18%	20%	-40%	44%	9%	17%
D Net sales for the year according to the previous year's average rate	217,608	959,766	75,610	261,799	1,288	7,753	294,504	1,229,318
E Foreign exchange effects (B–D)	2,429	53,756	839	13,432	0	0	3,269	67,187
Percentage change (E/A)	1%	6%	1%	6%	0%	0%	1%	6%
F Organic change (C–E)	10,217	91,411	10,861	31,594	-857	2,354	20,220	125,359
Organic change, % (F/A)	5%	11%	17%	14%	-40%	44%	7%	11%

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Average key exchange rates	Oct–Dec 2023	Oct–Dec 2022	Jan–Dec 2023	Jan–Dec 2022
EUR	11.55	10.91	11.48	10.58
USD	10.81	10.86	10.61	10.03
JPY	0.0722	0.0764	0.0760	0.0771

Closing date key exchange rates	Dec 31 2023	Dec 31 2022
EUR	11.10	11.13
USD	10.04	10.44
JPY	0.0710	0.0792

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

Adjusted operating profit	Group			
(Amounts in SEK 000s)	Oct –Dec 2023	Oct –Dec 2022	Jan–Dec 2023	Jan–Dec 2022
Operating profit	80,530	71,126	443,103	361,459
Adjustments	-	1,797	1,144	5,067
Adjusted operating profit	80,530	72,923	444,247	366,526

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Parent Company income statement

(Amounts in SEK 000s)	Jan–Dec 2023	Jan–Dec 2022
Net sales	1,015,763	945,327
Cost of sales	-385,989	-327,060
Gross profit	629,774	618,267
Selling expenses	-173,785	-178,974
Administrative expenses	-37,285	-37,562
Research and development expenses	-100,260	-89,792
Other operating income/expenses	1,844	27,314
Operating profit	320,288	339,253
Impairment loss on shares in subsidiaries	-3,974	-27,540
Net financial items	90,352	4,321
Profit before tax	406,666	316,034
Tax	-73,139	-67,871
Profit for the period	333,527	248,163

Parent Company balance sheet

Summary (amounts in SEK 000s)	Dec 31 2023	Dec 31 2022
ASSETS		
R&D projects in progress	46,230	225
Property, plant and equipment	10,098	3,315
Shares in Group companies	247,575	328,808
Deferred tax assets	721	-
Total non-current assets	304,624	332,348
Current assets excl. cash and cash equivalents	260,382	285,783
Cash and cash equivalents	1,291,037	1,280,710
Total current assets	1,551,419	1,566,493
TOTAL ASSETS	1,856,043	1,898,841
EQUITY AND LIABILITIES		
Equity	1,671,949	1,659,718
Deferred tax liability	9,445	-
Interest-free current liabilities	174,649	239,123
TOTAL LIABILITIES AND EQUITY	1,856,043	1,898,841

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Parent Company cash flow statement

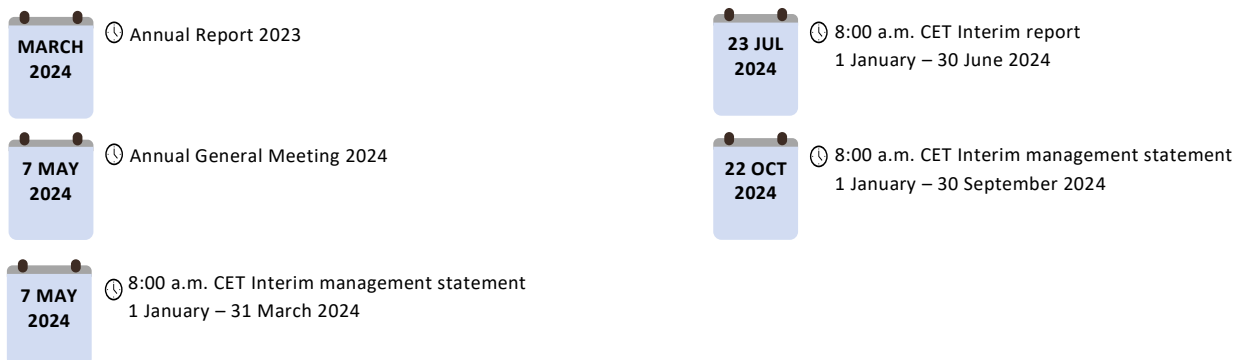
	Jan–Dec 2023	Jan–Dec 2022
Summary (amounts in SEK 000s)		
Operating activities		
Operating profit	320,288	339,253
Depreciation/amortisation	2,444	3,667
Other non-cash items	-820	-11,999
Paid tax	-57,676	-39,284
Interest received and paid	40,352	4,320
Cash flow from operating activities before changes in working capital	304,588	295,957
Changes in working capital	-36,299	-55,573
Cash flow from operating activities	268,289	240,384
Purchase of intangible assets	-146	-225
Purchase of property, plant and equipment	-1,688	–
Sale of property, plant and equipment	–	–
Purchase of financial assets	-6,767	-9,117
Sale of financial assets	–	–
Repayment of loans from subsidiaries	–	10,835
Dividend received	50,000	–
Cash flow from investing activities	41,399	1,493
Dividend	-292,849	-301,331
Provision to Foundation to Prevent Antibiotic Resistance	-4,400	-2,900
Repurchase of warrants	-417	-214
Cash flow from financing activities	-297,666	-304,445
Cash flow for the period	12,022	-62,568
Cash and cash equivalents at the beginning of the period	1,280,710	1,333,570
Exchange difference in cash and cash equivalents	-1,695	9,709
Cash and cash equivalents at the end of the period	1,291,037	1,280,710

Summary Parent Company statement of changes in equity

	Jan–Dec 2023	Jan–Dec 2022
(amounts in SEK 000s)		
Opening balance	1,659,718	1,716,000
Dividend	-292,849	-301,331
Provision to Foundation to Prevent Antibiotic Resistance	-4,400	-2,900
Merger results	-23,631	–
New issue warrants	-417	-214
Comprehensive income for the period	333,527	248,163
Closing balance	1,671,949	1,659,718

Q4 2023

Financial calendar



Stockholm, February 6, 2024

Peter Rothschild
Board Chairman

David Dangoor
Board Vice Chairman

Outi Armstrong
Member of the Board

Bénédicte Flambard
Member of the Board

Barbro Fridén
Member of the Board

Anthon Jahreskog
Member of the Board

Vesa Koskinen
Member of the Board

Vanessa Rothschild
Member of the Board

Theresa Agnew
CEO

Q4 2023

Auditor's review report

Introduction

We have reviewed the year-end report of BioGaia AB (publ), for the period January 1 –December 31, 2023. 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.

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 expressed 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, February 6, 2024

Deloitte AB

Jenny Holmgren

Authorised Public Accountant

Q4 2023

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 mainly for gut and oral 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 2023, BioGaia held more than 600 approved patents for various bacteria strains and territories.

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 2023, 90% (86%) 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 2023, over 260 clinical studies with BioGaia's various strains of *L. reuteri* have been performed. These studies involved more than 22,000 individuals of all ages.

Over the years, BioGaia has performed studies in the following areas:

- Functional gastrointestinal disorders, such as infantile colic, functional abdominal pain and constipation
- Immune modulation and prevention of infections
- Acute gastroenteritis
- Antibiotic-associated side effects, such as diarrhea
- Adjuvant therapy for *H. pylori* eradication
- Periodontal diseases, such as gingivitis (inflammation of the gums) and periodontitis (tooth loss)
- Bone health (Osteopenia)
- Autism spectrum disorder
- Irritable bowel syndrome
- Urinary tract infection

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